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Program
Evaluation
Unit

Program Evaluation: Improving New
Mexico's Workforce Participation

April 17, 2024

Report #24-01

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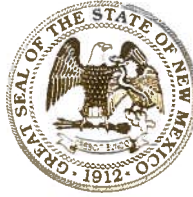
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Charles Sallee
Director

March 20, 2024

Sarita Nair, Secretary
Workforce Solutions Department
PO Box 1938
Albuquerque, NM 87103

Dear Secretary Nair:

The Legislative Finance Committee (LFC) is pleased to transmit the evaluation, *Improving New Mexico's Workforce Participation*. The program evaluation examined the program impact and monitoring, determined capacity and needs, and assessed uptake and outcome trends of Title III of the Workforce Innovation and Opportunity Act. An exit conference was held with you and your staff on April 5, 2024 to discuss the contents of the report.

The report will be presented to the LFC on April 17, 2024. LFC would like plans to address the recommendations within this report from the Workforce Solutions Department within 30 days of the hearing.

I believe this report addresses issues the LFC asked us to review and hope the district will benefit from our efforts. We very much appreciate the cooperation and assistance we received from you and your staff.

Sincerely,

A handwritten signature in cursive script that reads "Charles Sallee".

Charles Sallee, Director

Cc: Senator George K. Muñoz, Chair, Legislative Finance Committee
Representative Nathan Small, Vice-Chair, Legislative Finance Committee
Wayne Probst, Secretary, Department of Finance and Administration
Mark Roper, Interim Secretary, Economic Development Department
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Table of Contents



Improving New Mexico’s Workforce Participation	1
Background	3
Findings and Recommendations	13
Workforce Connection Centers are Underutilized and Have Limited Impact on Employment Outcomes.....	13
WSD Needs to Improve Adoption and Implementation of Evidence-Based Practices to Better Serve At-Risk Populations.....	20
Statewide Supports Have Improved Employment Rates, But Some New Mexicans Are Still Left Behind.....	30
Agency Response	35
Appendices	44
Appendix A: Scope & Methodology.....	44
Appendix B: Workforce Legislation & Evaluation Timeline.....	45
Appendix C: Organization of WIOA Core partners.....	46
Appendix D: Complete WIOA Title I Eligibility Requirements.....	47
Appendix E: Workforce Solutions Department’s Employee Services Department Organization.....	49
Appendix F: Connections Center & WSD Employee Locations.....	50
Appendix G: WSD Agency Report Card FY24 Q2.....	51
Appendix H: Probability of Finding Employment if went to WCC.....	53
Appendix I: MIT Living Wage Calculator for New Mexico.....	54
Appendix J: Workforce Connection Center Costs.....	55
Appendix K: Workforce Connection Center Facility Issues.....	56
Appendix L: WCC Recertification Form.....	58
Appendix M: Results First Clearinghouse Workforce Development Program Inventory.....	60
Appendix N: TANF Work Programs Best & Promising Practices.....	61
Appendix O: Probability of Finding Employment if Received RESEA in 2018.....	62
Appendix P: Northern Area LWDB WIOA Title I Application.....	63
Appendix Q: Previous Finding on Local Board Consolidation.....	65
Appendix R: New Mexico Veterans and LFPR.....	66
Appendix S: Substance use Disorders and LFPR.....	67
Appendix T: Rapid Response Reporting Improvements.....	69
Appendix U: Sources Cited.....	70





New Mexico's Workforce System is Not Effectively Reaching the State's Disengaged Population

New Mexico's labor force participation rate has long lagged behind the national average and that gap widened in recent years, exacerbated by the Covid-19 pandemic. The state's relatively low unemployment rate (4 percent in January 2024) seems to indicate a tight labor market but does not capture the full picture—one where many New Mexicans are persistently disengaged from the labor force and face significant, systemic barriers to reentry.

The state needs approximately 40 thousand additional individuals between ages 20 and 54 working or looking for work to meet the national average for labor force participation. Disengagement is simultaneously a symptom and a cause of larger social and economic issues. It precipitates lower statewide per capita income, perpetuates the need for costly social programs, and can be damaging to family formation and cohesion.

The Workforce Solutions Department (WSD) is the state agency most directly responsible for bringing disengaged adults into the workforce. The agency's new 2024-2028 statewide plan for the federal Workforce Innovation and Opportunity Act (WIOA) aims to “increase year-over-year labor force participation rates and economic prosperity for disengaged and difficult-to-reach New Mexicans.” This goal will require the rigorous implementation of evidence-based workforce development practices to employ more disengaged New Mexicans. Evidence-based studies reveal tactics that work for other members of the general population do not necessarily lead to improved long-term employment outcomes for people with substantial risks and barriers, including those receiving Temporary Assistance for Needy Families (TANF).

WSD continues to rely on workforce connections centers (WCCs) to reach those seeking services in rural and urban areas of the state. The model for these centers dates to the New Deal of the 1930s, a pre-internet economy where large segments of the unemployed population actively sought jobs. Today, New Mexicans' use of these centers is rapidly declining, accelerated by the shift to online and remote services during the pandemic. Accessing basic career services at a WCC does not affect users' employment outcomes. Moreover, WSD is struggling in its initial attempts to reach the TANF population. Since taking over the administration of the New Mexico Works program for work-eligible TANF recipients in 2021, WSD's performance outcomes have drastically fallen behind those of the previous contractor. Additionally, a fragmented referral system hampers co-enrollment in other key programs and support services, and it discourages evaluation and tracking outcomes of participants. However, adoption of evidence-backed practices for referral systems and case management may improve WSD's results.

Key Findings

New Mexico's labor force participation rate is among the lowest in the nation.

Workforce connection centers are underutilized and have limited impact on employment outcomes.

The Workforce Solutions Department needs to improve adoption and implementation of evidence-based practices to better serve at-risk populations.

Statewide supports have improved employment rates but some New Mexicans are still left behind.

Key Recommendations

The Workforce Solutions Department should:

- Set concrete, quantitative intermediary goals for improvement of the New Mexico Works programs, with a focus on Career Link;
- Work with the Health Care Authority to bolster New Mexico Works performance by courting high-wage employers as Career Link partners and adding additional wraparound supports to the program;
- Revise its operating model for the New Mexico Works program to incorporate the evidence-based practices of providing education, training, and support services for all recipients, and report to the Legislature on these efforts by November 2024;
- Implement the Aligned Case Management Institute's proposed unified, closed-loop UPin referral platform by the end of FY25; and
- Track a control group of unemployment insurance (UI) claimants to better evaluate the outcomes of its reemployment services and employment assessment (RESEA) programs.

The local workforce development boards should:

- Work collaboratively with each other, WSD, and the state workforce board to reevaluate workforce connections centers as the primary access points for services;
- Work with WSD to determine which workforce connection centers should remain operational in the medium- and long-term;
- Consider co-locating workforce connection center staff with important local partners such as community colleges or offices of the Health Care Authority's Income Support Division; and
- Implement newer evidence-based strategies as part of their RESEA case management design.

The Legislature should:

- Consider a targeted expansion of the state's working families tax credit to non-custodial parents and childless workers to facilitate the reemployment transition for at-risk New Mexicans.



New Mexico’s Labor Force Participation Rate is Among the Lowest in the Nation

In 2023, New Mexico ranked 44th among the states for labor force participation. Since 1976, when New Mexico started tracking its labor force participation rate (LFPR)—defined as the share of the civilian population who are working and who are not working but have actively looked for work in the past four weeks—the state has lagged behind national averages. However, the gap between New Mexico and the rest of the nation widened in recent decades, particularly following the Great Recession in 2008. In February 2024, the national LFPR was 62.5 percent and New Mexico’s was 57.2 percent across all age groups. New Mexico would need to engage approximately 40 thousand prime-working-age people or 110 thousand people overall in the labor force to match the current national average labor force participation rate.

What is Prime Working Age?

This report uses the definition of prime-working-age individuals used by both the Bureau of Labor Statistics and the American Community Survey to mean those between 20 and 54 years old and able to work. Other sources frequently use the range of 25 to 54 years old, which typically produces higher LFPRs as it cuts out many of the younger population enrolled in higher education full time.

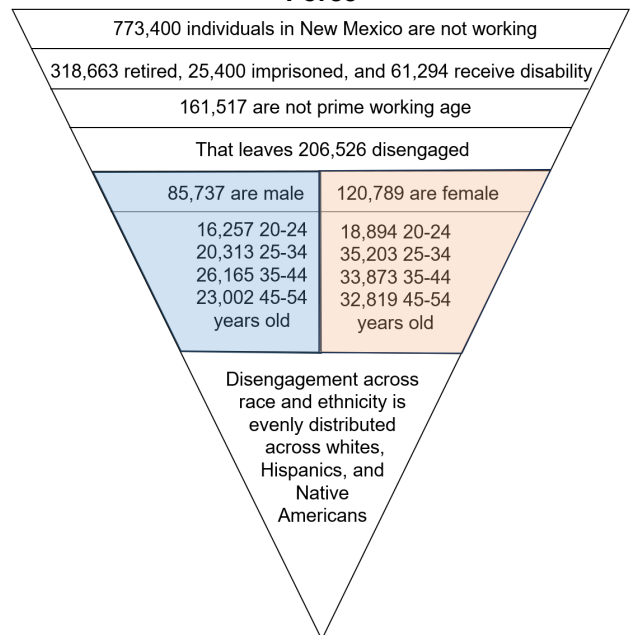
The 2020 LFC policy spotlight *Workforce Development Post Covid-19 Pandemic* found the state spent \$322 million on workforce development and training across a variety of state agencies and programs. However, the 2020 spotlight and subsequent LegisStat briefs found that the Workforce Solutions Department (WSD) was not consistently investing recent appropriations in evidence-backed programs.

There are 206 thousand able-bodied prime-working-age people in New Mexico who are not formally employed.

Disengaged individuals, or those neither working nor going to school and not actively seeking employment, account for about 28 percent of the population—or around 206 thousand individuals—in New Mexico who are prime working age (20–54 years old). Comparatively, the United States has a 19 percent disengagement rate among those who are of prime working age. Disengagement in New Mexico is almost equally prevalent across racial and ethnic groups, suggesting that widespread under-participation in the labor force is not unique to any one group in the state.

At the county level, LFPR among prime-working-age people in New Mexico ranges from 51 percent in Union to 83 percent in Los Alamos. After Union, the counties with the lowest LFPR were Catron and Socorro (both 55 percent), followed by Mora and Cibola (both 56 percent) and Guadalupe (58 percent). Behind Los Alamos for highest LFPR were De Baca (78 percent), Bernalillo (77 percent), and Santa Fe and Sandoval (both 76 percent). Figure 2 uses data from the American

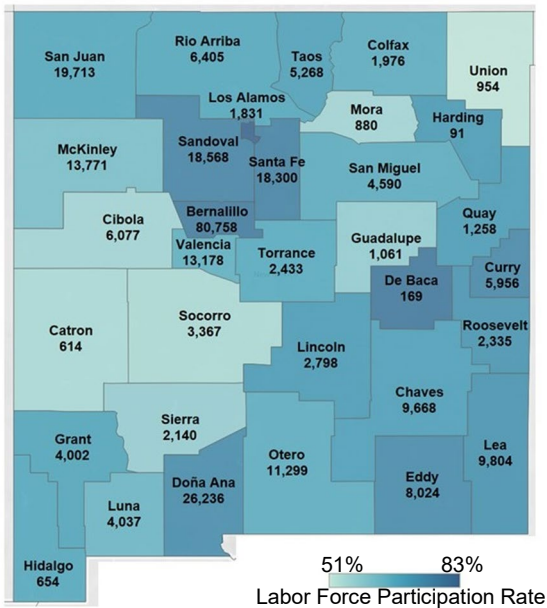
Figure 1. Individuals Disengaged from the Labor Force



Note: Prime working age is defined as 20-54 year olds who are able to work. Disengaged individuals is defined as not in school or working and of prime working age. Due to available data, individuals attending school have not been removed. As a result, the numbers of disengaged individuals may be slightly inflated.

Source: American Community Survey and Social Security Administration

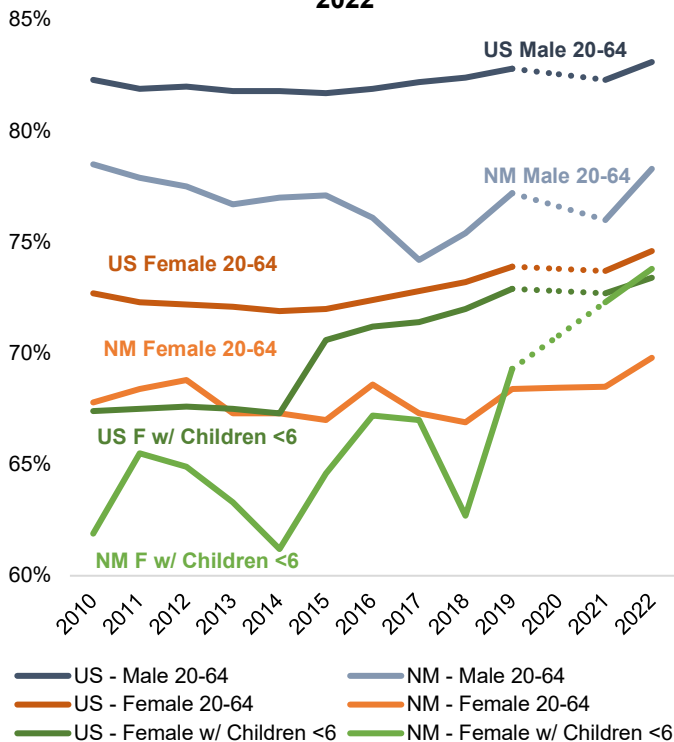
Figure 2. Labor Force Participation Rates by County and Approximate Number of Disengaged Prime-Working-Age Individuals, 2022



Note: Available county-level statistics for prime-working-age individuals do not disaggregate individuals affected by the justice system, receiving disability, or attending school. As a result, the numbers in this map sum to approximately 288 thousand.

Source: ACS 5-Year Estimate 2022 Employment by County, Table S2301.

Chart 1. Labor Force Participation by Gender for U.S. and New Mexico, 2010-2022



Note: No data was collected during 2020. Dotted lines represent an extrapolation between 2019 and 2021 data.

Source: American Community Survey 1-Year Estimate Table S2301.

Community Survey to estimate the number of prime-working-age individuals outside the labor force across each county. This map points to the need for diverse evidence-based approaches contingent on local socioeconomic circumstances.

While LFPR for prime-working-age men in New Mexico stagnated between 2010 and 2022, participation among prime-working-age women with children under 6 grew by 12 percentage points. Low LFPR among men is an issue nationwide, but is particularly pronounced in New Mexico, which had the third-lowest male LFPR in 2023. Among prime-working-age men, LFPR declined 0.2 percentage points in New Mexico since 2010, though rates rose nationally by 0.8 percentage points. Economists have pointed to several compounding macroeconomic and social causes affecting male LFPR, including retirement, changing family structures, caretaking responsibilities, illness and disability, opioid addiction, and escalating incarceration rates. Many of these factors disproportionately affect men with lower levels of educational attainment.

Meanwhile, New Mexico’s LFPR for prime-working-age women increased by 2 percentage points. The subpopulation that experienced the most rapid growth is women with children under the age of 6. Between 2010 and 2022, New Mexico closed the gap with the national average and even surpassed it. During this period, the state invested heavily in policies and programs that provide financial and other supports for working families, with a previous LFC spotlight focused on income supports finding that state investment grew by 42 percent since FY19. Research shows that women’s workforce participation can be a powerful indicator of social and economic equality, including the gender wage gap and access to affordable, quality childcare. In 2022, women’s average annual earnings as a percentage of men’s in the United States were only 81.4 percent. That year in New Mexico, women earned, on average, 85.5 percent of what men did—the fifth best in the nation for gender income equality. Chart 2 on page 5 shows that New Mexico, compared to the rest of the United States, has proportionally more single-earner families overall, particularly families where the wife is working but the husband is not.

Low male workforce participation is particularly concerning for New Mexico because it negatively affects individual happiness and productivity, family formation, and household income. Men outside the workforce report being less happy and more stressed than their employed counterparts and deriving less sense of purpose from nonwork activities. Chart 3 shows unemployed men nationally are not using their time for alternative productive activities, such as childcare, household tasks, or education. Instead, in 2022, these men spent eight hours on leisure and sports activities every day. Some research even points to the increasing quality of leisure activities (namely video games) as an important disincentivizing factor to return to work. Relatedly, a culture of disengagement from the labor force may also contribute to persistent nonparticipation; an individual with other nonworking friends may derive increased enjoyment from time out of work.

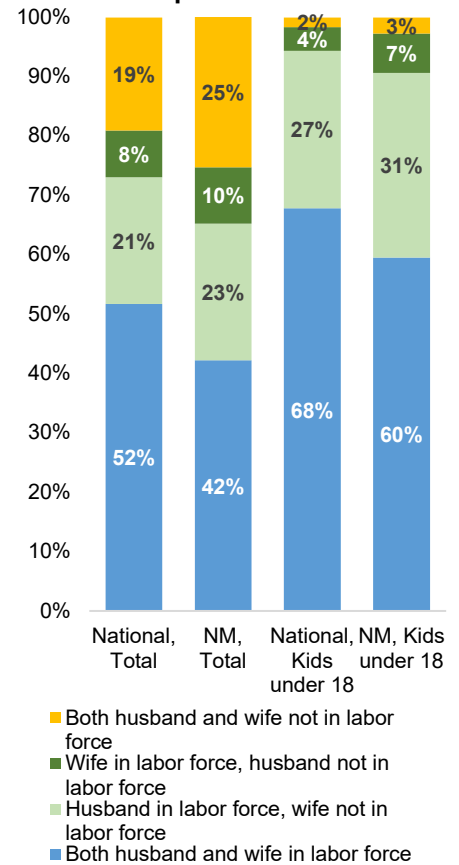
Further, labor economists have demonstrated the increasing number of men out of work negatively impacts the marriage market. Researchers postulate a vicious cycle in which fewer men make adequate wages to support a family, rendering them less desirable marriage partners. However, providing for a family has traditionally been a strong incentive for men to work. Finally, households in which the male head of household is not working make significantly less income than those with a working male head of household. Contrary to the theory that men weakly engaged with the labor force are taking advantage of expanded social benefits to replace lost income, multiple studies show that during periods of unemployment, disengaged men are more likely to rely on the income of family members rather than their own disability or unemployment benefits. While New Mexico has made significant investments in the supports that make it easier for women with children to work, disengaged non-custodial and childless men are still largely left out of this equation.

New Mexicans across all levels of educational attainment are less likely to participate in the labor force, but the difference between the state and national averages are most pronounced for those with only a high school degree or equivalent. Though labor force participation fell nationally across all levels of educational attainment since the turn of the century, this effect is most pronounced for those who did not complete high school. New Mexico lags behind national LFPR across all educational levels, but the gap is largest among those with only a high school degree or equivalent, followed by those with some college or an associate’s degree. As of 2022, the combined number of disengaged New Mexicans between 25 and 64 in the high school degree and some college categories was around 184 thousand individuals, as seen in Chart 4 on page 6.

Higher labor force participation leads to improved societal and economic outcomes.

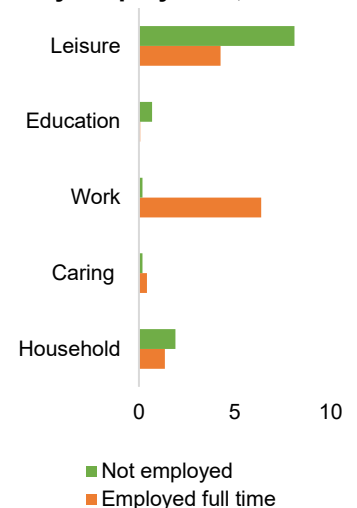
Increased income plus parental employment is key to breaking the cycle of intergenerational poverty. While some of the decades-long decline in national LFPR can be attributed to the aging of the U.S. population, people in their prime working years are also dropping out of the labor force in New Mexico and nationwide. This presents a particular economic problem because most wage growth for an individual worker typically happens early- to mid-career.

Chart 2: Employment Characteristics of Opposite-Sex Married Couple Families



Source: LFC analysis of American Community Survey 2022 5-year estimate subject table S2302

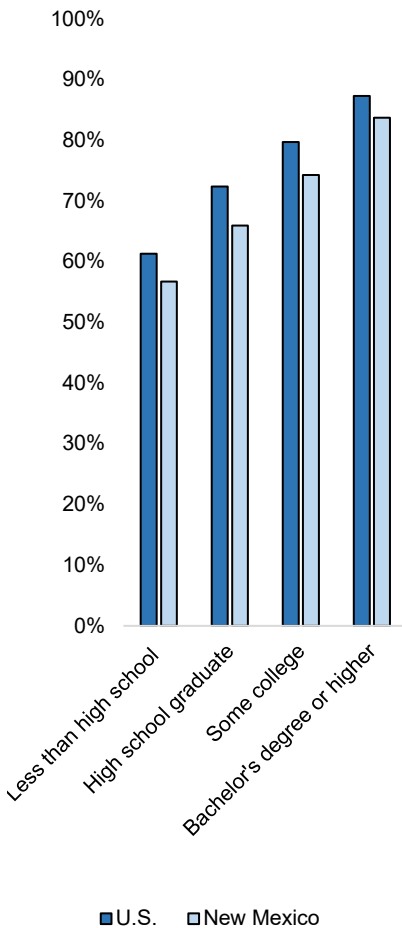
Chart 3: Daily Time Usage for U.S. Men by Employment, 2022



Note: Data includes waking hours only; hours of sleep not included.

Source: LFC analysis of American Time Usage Survey, 2022

Chart 4. National and New Mexico Prime-Working-Age LFPR by Educational Attainment



Source: ACS 5-Year Estimate 2022 Table B23006

Figure 3. Workforce Board Jurisdictions



Source: WSD

By opting out during these key working years, younger disengaged workers miss a critical opportunity to build assets and family income levels. While parental employment was not shown to improve childhood outcomes and break cycles of intergenerational poverty on its own, employment plus increased family income can substantially reduce childhood poverty and improve lifetime outcomes. Likewise, while family income provided through social safety net policies and supplemental income programs can marginally mitigate the negative effects of poverty on children, parental employment leading to increased income (often bolstered by tax credits on earned income) has a much larger positive effect.

Labor force participation correlates with economic growth, crime reduction, and increased average per capita earned income. More workforce participation leads to increased economic growth and productivity and drives expanded tax revenues while lowering expenditures on supplemental income programs and other kinds of government assistance. Increased employment also correlates with lower crime rates, with the strongest effects among those previously unemployed or underemployed. Nationally, among the poorest quartile of households in 2013, only 61.5 percent of prime-age individuals participated in the workforce compared to the top quartile of households, whose participation rate was 89.9 percent.

The Workforce Solutions Department is attempting to reach more of New Mexico’s disengaged population with new partnerships and programming.

Workforce development reforms have been part of federal statute for over a century. These reforms attempt to connect jobseekers with employers and ensure potential employees have the skills and training required to succeed in their careers. Until 1998, with the implementation of the Workforce Investment Act (WIA), most of these initial reform efforts were siloed within separate agencies and the disparate elements impacting the labor market had little coordination. In 2014, the federal Workforce Innovation and Opportunity Act (WIOA) built on and refined the foundation laid by WIA, emphasizing streamlining services, aligning workforce development with industry needs, improving access to training and education, and fostering accountability through enhanced performance measures. WIOA strengthened ties to existing workforce partners and added new required partners that reach economically disadvantaged individuals and those involved in the criminal justice system.

WSD is the coordinating agency for all major New Mexico labor and workforce development functions. In 2003, an LFC performance evaluation of WIA programs in New Mexico found the local boards (whose regions are shown in Figure 3) lacked coordination and recommended the creation of a single, statewide coordinating agency. In 2005, an executive order established the Office of Workforce Training and Development (OWTD), codified in statute the following year. Another LFC audit in 2006 showed significant progress under OWTD but recommended a legislative study to review consolidating workforce development programs into a single new department. In 2007, the Workforce Solutions Department Act (Chapter 9, Article 26 NMSA 1978) created WSD as a new unified, department by abolishing OWTD and merging its functions with the preexisting labor department. Today, WSD provides general oversight and technical assistance to local workforce development boards and administers WIOA’s statewide

activities. It also houses the Unemployment Insurance Division, which administers “an array of demand-driven workforce development services to prepare New Mexicans to meet the needs of business.” See Appendix B for a timeline of major workforce legislation and evaluations.

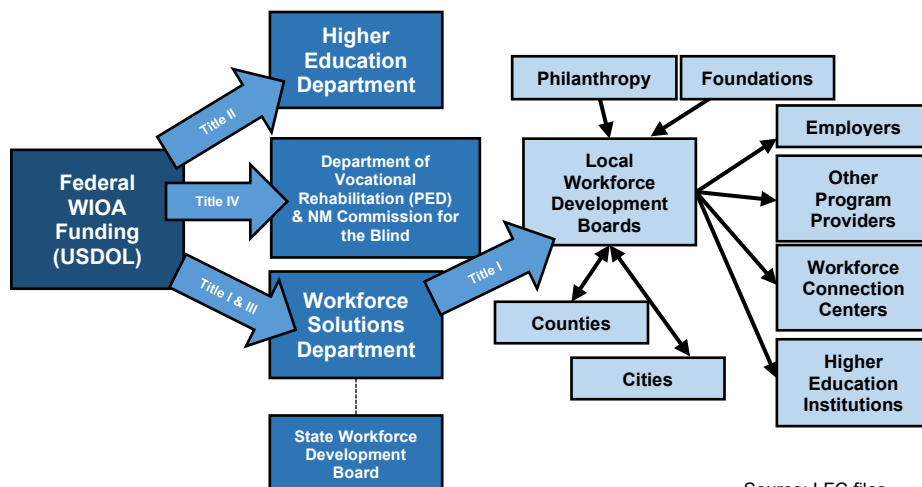
LFC’s 2020 policy spotlight Workforce Development Post Covid-19 Pandemic found that the same issues under WIA persisted under WIOA and were further heightened by the pandemic. Despite federal and state efforts to streamline services into a “one-stop” model, fragmentation and potential duplication of services remains, exacerbated by physical and technological disconnects. Both the 2020 spotlight and a 2016 program evaluation of the state’s WIA programs highlight a failure to universally adopt best practices across the state, with some local workforce boards implementing effective measures while others lag behind. Underinvestment in evidence-backed practices, like targeted case management and reemployment services and eligibility assessment (RESEA), compounded performance and consistency issues. The 2016 report also emphasizes that youth workforce programs underperformed and were more costly than other New Mexico programs targeting adults. Previous reports note the lack of a comprehensive inventory of workforce programs; LFC’s 2016 report found 35 related programs, but their functions and expenditures were not well documented. Moreover, both LFC reports and a 2021 State Workforce Board Task force recommended converting from four local board areas to two (see Appendix Q for more on board consolidation).

- WSD Internal Divisions**

 - Administrative Services
 - Labor Relations
 - Legal
 - Office of the Secretary (includes Special Projects)
 - Unemployment Insurance
 - Employment Services Division (includes both Programs and Operations)

Source: WSD

Figure 4. Flow of WIOA Funding



Source: LFC files

As the administrator for WIOA, WSD distributes federal funds to local workforce development boards, ensuring compliance with federal regulations and reporting requirements, and serving as the state’s workforce programming hub. WIOA services are divided across four titles, each serving a different target population. Local workforce development boards in New Mexico administer the Title I Adult, Dislocated Worker, and Youth programs. Title II, Adult Education and Family Literacy, sits under the purview of the Higher Education Department. Title III (Wagner-Peyser) basic career services are the jurisdiction of WSD, and Title IV, the Rehabilitation Act, is under the auspices of the Vocational Rehabilitation Division inside the Public Education Department and the New Mexico Commission for the Blind (see Appendix C for the organization of core WIOA partners).

Federal money for adults, dislocated workers, and youth programs flows through WSD to New Mexico’s four local workforce development boards. Wagner-Peyser money goes to WSD to fund basic career services for all people. Table 1 demonstrates that the vast majority of the state’s WIOA funds go to the more intensive programs for populations deemed to be most at risk, including adults lacking basic literacy skills, youth disengaged from school and work, dislocated workers, Native American jobseekers, veterans, workers with disabilities, and migrant workers. Meanwhile, the basic career services provided through Wagner-Peyser have no eligibility requirements and reach a much broader pool of customers. See Appendix D for a complete list of WIOA Title I eligibility requirements.

Table 1. Federal Title I and Wagner-Peyser Funding, Eligibility, and Population Served FY23

WIOA Title	Admin	Abridged Eligibility Requirements (see Appendix D for full requirements)	Services Provided	New Mexico WIOA Amt.	Clients Served
Adult Title I	Local boards	Must be 18+ AND low income OR receives public assistance, foster child, homeless, deficient in basic skills OR has a disability.	Training services, including on-the-job training, apprenticeships, upskilling, adult education, from eligible providers. Additionally provides more intensive career services including assessments, employment plans, prevocational services, counseling, etc.	\$7,526,365	2,393
Dislocated Worker Title I	Local boards	Terminated/laid off OR lost self-employment due to economy/disaster OR displaced homemaker OR unemployed spouse of Armed Forces member.		\$14,928,088	722
Youth Title I	Local boards	In-school and out-of-school youth may be eligible; factors that can determine eligibility include homeless, runaway, pregnant or parenting, in foster care, lacks basic literacy, low income, has a disability.		\$7,789,461	1,421
Wagner-Peyser Title III	WSD	All customers are eligible. No documentation necessary for enrollment.	Resume and interviewing help, job referrals, referrals into other state and federal programs, online job search assistance, workshops, skills-based assessments, resource center services, and free use of phones, fax, copiers, and computers.	\$5,583,759	23,263

Source: USDOL

WSD’s Employment Services Division operates WIOA Wagner-Peyser, a workforce connections program with origins in the New Deal. In 1933, the Wagner-Peyser Act created a nationwide network of public employment offices, the precursors of today’s workforce connections centers. This act strove to connect jobseekers and employers. In 1998 and again in 2014, Congress amended and updated the act, but its fundamental mandate remains unchanged. Within WIOA, Wagner-Peyser is repackaged as Title III. Whereas local workforce development boards are charged with identifying suitable service providers and administering the eligibility-driven programs that receive more funding, all New Mexico residents can access the basic career services in Wagner-Peyser. See Appendix E for an organizational chart of WSD’s Employment Services Division.

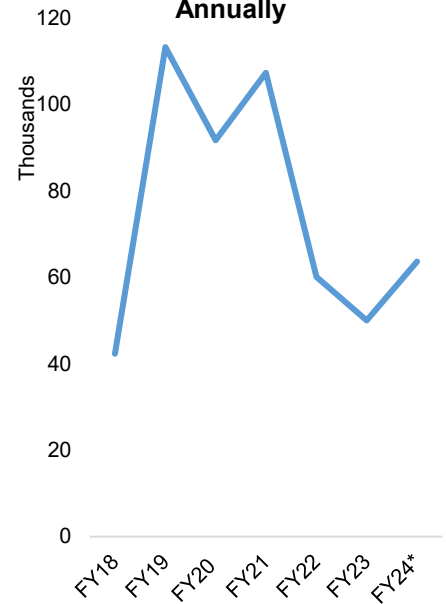
New Mexico operates 26 workforce connections centers (WCCs) across the state that connect patrons to Wagner-Peyser services and screening for more intensive programs. One of the primary innovations of WIA (and

now, WIOA) was the creation of a system of “one-stop” centers that connect clients to all required workforce partners (listed in Figure 5). During the pandemic, many patrons switched to accessing basic career services online through the New Mexico workforce connection online system (WCOS), which is a web-based system for employment services. However, local boards continue to view brick-and-mortar WCCs as an essential aspect of coordination and outreach for New Mexico’s workforce system. In 2022, the Northern Workforce Development Board opened new offices in Raton and Grants. See Appendix F for map showing the location of WSD employees and WCCs across the state.

On entering a WCC or signing up for an account as a jobseeker online, clients are classed as Wagner-Peyser recipients if they are deemed work-ready. Within WIOA’s one-stop system, Wagner-Peyser programs function as a kind of catch-all and gatekeeper for the eligibility-based programs that provide more intensive services.

Wagner-Peyser staff sit in all 26 WCCs either part- or full-time and connect those accessing WSD services with other programs and state agencies. As New Mexico’s economic reality and social structure evolves, Wagner-Peyser staff face a challenging workload that combines social work, career coaching, and escalating administrative burdens within the frame of a retrofitted workforce system dating to the 1930s. Their activities frequently occur in aging brick-and-mortar WCCs, another vestige of an earlier workforce system.

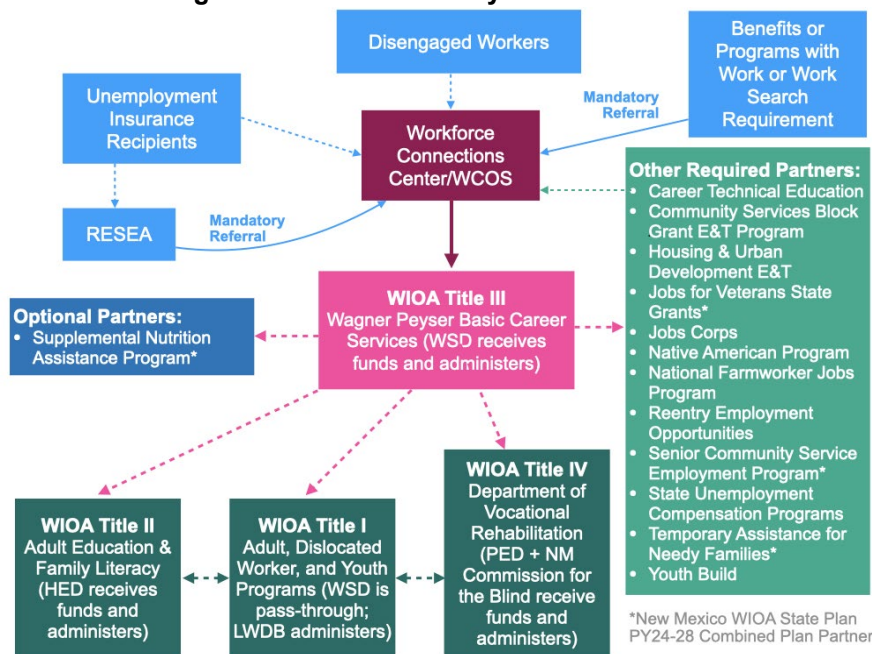
Chart 5. New Mexicans Using Workforce Connections Centers Annually



*FY24 projected based on Q1 and Q2 participation.

Source: LFC performance measures.

Figure 5: WCC Referral System and Partners



Source: LFC analysis of statute and WSD files.

Wagner-Peyser funding is critical for ensuring other federal and state workforce dollars can be maximally leveraged. One of the most important roles that Wagner-Peyser plays is as a referral mechanism into other eligibility-based programs and services. States are allowed to carry over their WIOA eligibility-based program funds for up to three years before they revert to the

U.S. Department of Labor. The state spent 100 percent of its Wagner-Peyser funds in the three most recent fiscal years. However, Wagner-Peyser services are reaching fewer New Mexicans, as discussed on page 15.

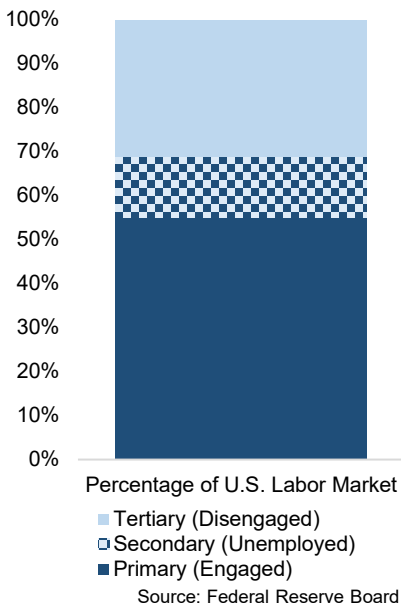
Many workforce programs are targeted to small subsets of New Mexicans as determined by demographic characteristics and risk factors. More recent models of labor market participation give a broader picture of the disengaged population, including those who might be slipping through the cracks of extant programs and services. A 2023 working paper from the Federal Reserve Board used machine learning to analyze the work patterns of all individuals in the current population survey from 1980 to 2021. The authors found the U.S. labor market tends to fall into three categories.

The first, or primary segment, are those workers who are almost always employed and rarely experience unemployment. Those in the secondary sector have high turnover, high unemployment, and tend to feel the brunt of short-term oscillations in the labor market. The tertiary sector is comprised of those who tend to be disengaged from the labor force. Among this population, only nine percent participate in the labor market. While unemployment in the secondary sector is likely the result of jobs lost due to seasonal or business-cycle fluctuations, unemployment for those in the tertiary sector is likely due to the fact that it takes a while for this population to find a job after they start looking. The tertiary sector frequently faces larger barriers to workforce participation. Moreover, WCCs primarily target the unemployed, or secondary sector. For example, Luna County (Deming) has one of the highest rates of WCC usage, for a rural office but it also has the highest rate of unemployment in the state. This suggests that WCCs not targeting those disconnected from the labor market, but rather high-churn individuals who entering and exiting the labor market frequently.

WSD’s new WIOA plan emphasizes the need to reach more of New Mexico’s disengaged population, including the tertiary labor sector. The state’s recently ratified WIOA plan for 2024-2028 retains existing program partnerships and adds new ones that will theoretically allow the department to reach more at-risk prime-working-age adults who are not currently participating in the labor force. WSD’s ability to achieve this goal will hinge on the strength of its partnerships, the fidelity of local program implementation, and the efficiency of its referral system.

New Mexico’s WIOA combined plan for 2020-2023 included three partnerships: TANF, Jobs for Veterans State Grants Program, and Senior Community Service Employment Program. For the 2024-2028 plan, WSD will renew these three partnerships and add Supplemental Nutrition Assistance Program (SNAP) Education and Training, which is managed by a separate contractor under the jurisdiction of the Health Care Authority (HCA). The third strategic goal articulated in the plan is to “increase year-over-year labor force participation rates and economic prosperity for disengaged and difficult to reach New Mexicans.” By renewing its partnership with TANF and adding SNAP as a new combined plan partner, WSD is attempting to address the state’s persistently low labor force participation rates by reaching economically marginal populations. In actively sourcing referrals from HCA for TANF and SNAP clients, WSD is hoping to reach more underserved and at-risk populations and support this population in finding employment.

Chart 6. Composition of U.S. Labor Market



Examples of New Mexico’s Eligibility-Driven Employment Programs

- **Job Corps:** Low income, 16-24 years old
- **Senior Community Service Employment Program:** Older than 55 and earning no more than 125 percent of the federal poverty level.
- **New Mexico Works:** Receiving TANF and work-eligible.
- **WIOA Title I Adult, Youth, and Dislocated Worker:** See Table 1 and Appendix D.

WCCs primarily target mandatory users and motivated job seekers. Dating to a pre-internet jobs-connection model, WCCs rely on customer initiative or mandatory use cases such as RESEA (for unemployment insurance recipients) and or programs with strong incentives like license reinstatement through STEPUp (for non-custodial parents through the Child Support Enforcement Division) for uptake. WCCs can effectively serve that secondary, or high-churn, section of the labor market but are not designed to reach the tertiary portion of the market that is always or almost always disengaged from employment. Because reaching disengaged New Mexicans is part of the state’s new WIOA plan, WSD and local boards have the opportunity to rethink how services and programs are reaching more New Mexicans beyond those already actively searching for a job.

To reach the national LFPR, New Mexico will need to recruit members of the disengaged population who are currently uninterested in working. According to the American Community Survey, only 4 percent of unemployed New Mexicans wanted to find a job in 2023. This proportion accounts for only 29.5 thousand people, meaning that if New Mexico wants to bring an additional 40 thousand people of prime working age into its labor force to meet national averages, 10.5 thousand people who do not currently want jobs will also need to join the labor force.

Chart 7. Number of New Mexicans Not in the Labor Force Who Do and Do Not Want Jobs, 2022-2023 (in Thousands)

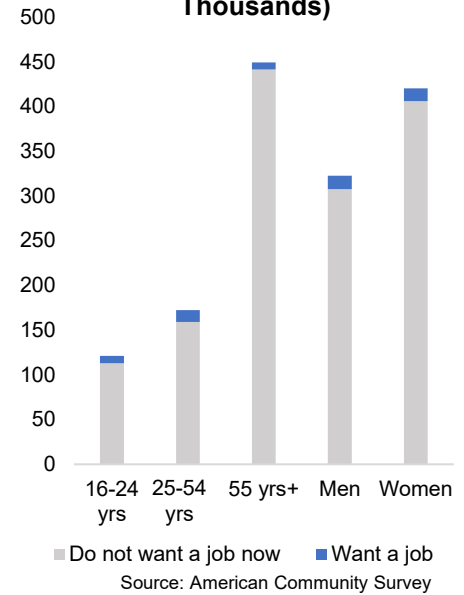
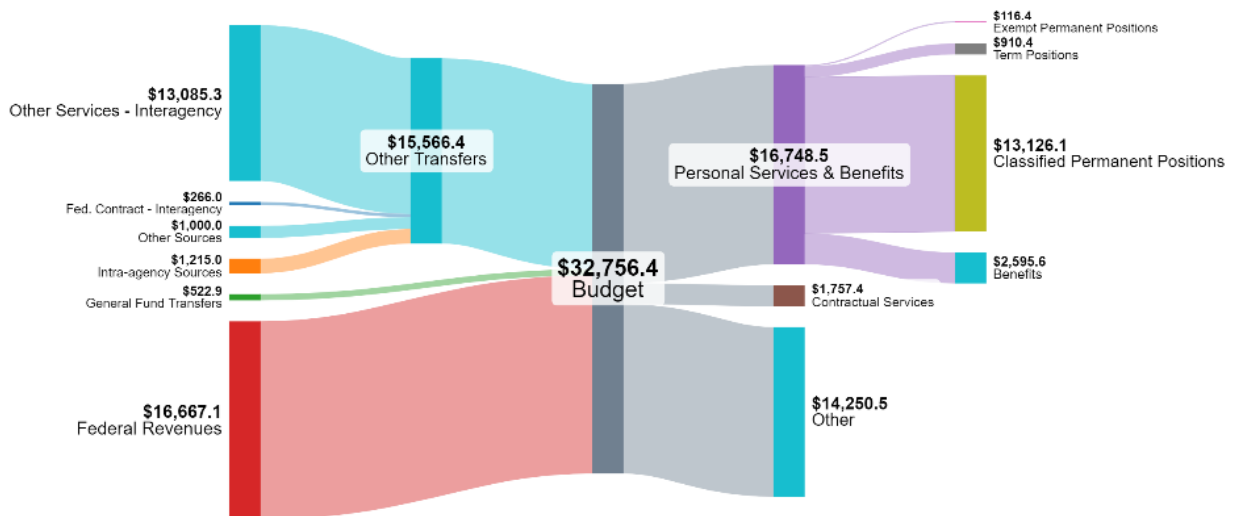
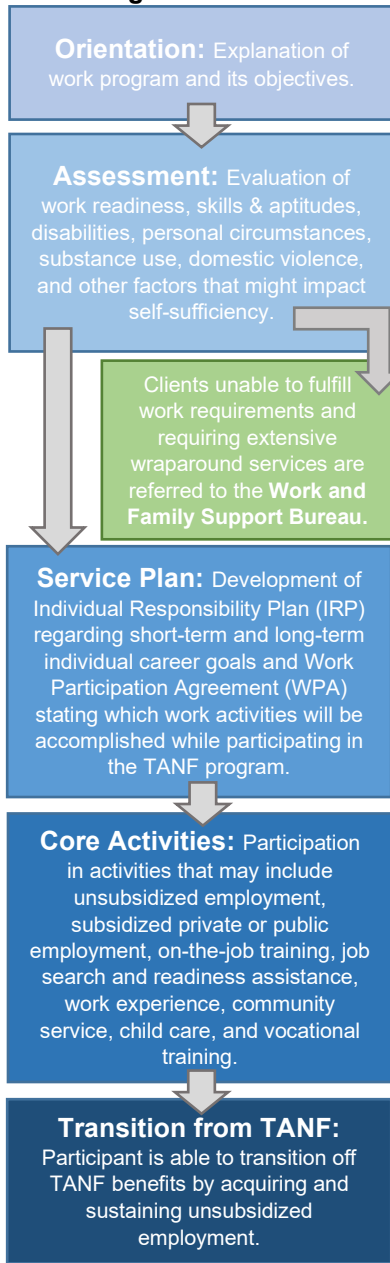


Figure 6. WSD Employment Services Division Revenues and Expenditures, FY24 Operating Budget (in Thousands)



Source: LFC analysis of WSD FY25 appropriations request.

Figure 7. TANF Case Management Model



Source: WSD WIOA Plan FY24-28.

The majority of WSD’s Employment Service Division’s (ESD) operating budget comes from federal grants and transfers.

For FY24, ESD has an operating budget of almost \$33 million. Of this, only about half a million dollars comes from the state’s general fund, as seen in figure 6 on page 11. The bulk of the remainder comes from Wagner-Peyser, TANF transfers, and other federal grants related to workforce. WIOA dollars are not included in this amount, as those flow through WSD’s Program Support category in the General Appropriation Act.

WSD signed a general services agreement with HCA in January 2021 to implement the New Mexico Works initiative. New Mexico Works is a workforce transition program that serves work-eligible recipients of TANF. It is a three-way partnership of WSD, the state workforce board, and HCA (which administers TANF in New Mexico). New Mexico Works provides targeted case management for TANF recipients designed to transition participants from cash assistance into the workforce. New Mexico Works also has two internship programs, Career Link and Wage Subsidy. Career Link candidates are hired into part-time positions, working 20 hours per week with private industry employers. Wage Subsidy candidates are hired into full-time, 40 hours per week jobs within government agencies. New Mexico employers who partner with Career Link and government agencies who partner with Wage Subsidy are provided a financial incentive to hire eligible participants in ongoing jobs at no cost to the employer.

In January 2021, HCA established a general services agreement with WSD to administer New Mexico Works. Before, HCA had a contract with a private company called Creative Work Solutions to implement the program. In FY23, HCA paid WSD about \$12.4 million in TANF funds to implement New Mexico Works.

For FY25, WSD requested but did not receive a general fund base expansion increase of \$4.5 million for ESD, which focused on high school students. WSD’s FY25 budget request included \$1.2 million for the pre-apprenticeship program, \$1.2 million for high school career counselors, and \$2 million for the Be Pro Be Proud program. All three of these programs are aimed at high school students. Middling performance measures in the second quarter of FY24 earned Employment Services a “yellow” rating for this quarter in the agency’s LFC report card, reflecting struggles in both performance outcomes and participation rates (see Appendix G).



Workforce Connection Centers are Underutilized and Have Limited Impact on Employment Outcomes

Workforce connection centers (WCCs) should help individuals find employment by offering basic career services and referrals to eligibility-based programs. However, LFC staff analysis indicates individuals who use WCCs in New Mexico do not have better employment outcomes than those who do not. Furthermore, the state’s performance for basic career services consistently ranks in the bottom fifth of states. While foot traffic to connection centers overall is up in FY24 as compared to FY23, some centers in the state remain severely underutilized. WSD and the local workforce development boards have significant statutory freedom to update and reimagine the workforce connection system originally designed during the Great Depression.

Nationwide, states outside of New Mexico are transitioning away from physical workforce connection centers.

Between 2007 and 2024, the number of WCCs nationwide counted as part of the American Job Center network dropped 28 percent, from 3,198 to 2,300, as job searches increasingly shifted to the internet. The number of WCCs per capita in New Mexico, however, remains substantially higher compared to its neighbors. Whereas New Mexico has a WCC for roughly every 80 thousand residents, neighboring states range from having a connections center for every 126 thousand residents (Oklahoma) to 189 thousand residents (Texas).

In-person Wagner-Peyser services do not adequately translate to improved employment outcomes.

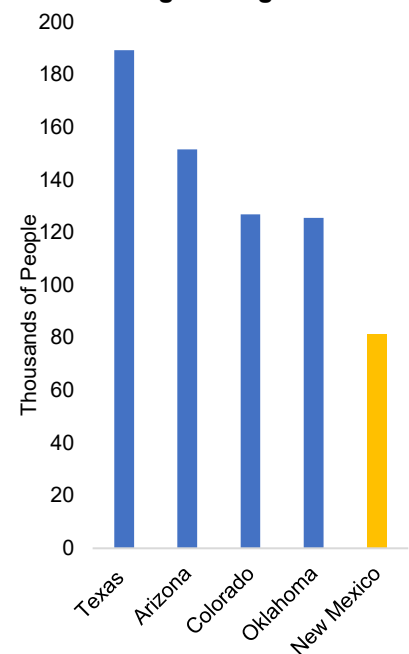
LFC staff analysis found that individuals receiving unemployment insurance who access services at a WCC have no better chance of finding employment than those who do not. Additionally, only a quarter of participants exited employment training before completion because they found employment, indicating that retention is an issue for WSD training programs. Moreover, even those who find employment with the help of a WCC do not earn enough, on average, to cover basic needs without additional income support if they have dependents. Finally, the number of people exiting Wagner-Peyser programs across the state fell significantly from FY20.

Recent Changes in WCC Participant Intake Procedures

Prior to this report, WSD required individuals accessing WCCs to give their social security numbers (SSNs) to register within the workforce connections online system and receive service. Since this report, WSD reevaluated its policy and worked with the U.S. Department of Labor to determine best practices. As such, SSNs are no longer required at WCCs.

Source: USDOL and WSD

Chart 8. Average Population Served Per Workforce Connection Centers, New Mexico and Neighboring States



Source: LFC analysis of American Job Center listings and 2022 population data.

Table 2. Distinct Adult Users at WCCs, First Half of FY24

Office	Distinct Users
Albuquerque	11,455
Las Cruces	5,954
Santa Fe	3,209
Rio Rancho	2,360
Farmington	2,192
Gallup	2,065
Roswell	1,821
Deming	1,640
Clovis	1,636
Hobbs	1,489
Los Lunas	1,369
Alamagordo	1,289
Las Vegas	1,230
Taos	1,036
Carlsbad	1,011
Española	811
Silver City	766
Sunland Park	566
Artesia	533
Moriarty	450
Ruidoso	294
Grants	187
Raton	198
Socorro	155
T or C	73

Note: In keeping with this report's focus on disengaged adults, the above chart does not include youth visitors. A total of 983 youth were served in WCCs or in youth career centers in the first half of FY24.

Source: WSD

In the first half of FY24, 10 WCCs received fewer than five adult in-person clients per day. As seen in Chart 5 on page 9, foot traffic to connections centers fell significantly following the Covid-19 pandemic, likely due to both the general economic recovery and the increased use of online services as opposed to walk-in services. In FY23, WCCs across the state received about 50 thousand in-person visitors. Based on numbers from the first half of the fiscal year, the state is currently on track to see about 63 thousand visitors in FY24. While WCCs provide services beyond those to walk-in clients (see the callout box “WCCs and Business Services” on page 16), the model of connecting employers and potential employees in a brick-and-mortar center relies on sufficient efforts from job seekers.

Accessing basic career services in WCCs does not affect employment outcomes for individuals who receive unemployment insurance. LFC staff compared the employment outcomes of individuals in New Mexico who received unemployment insurance (UI) and did not go to WCCs with those who received UI and did go to a WCC to access basic career services. A comparison group for individuals not on UI but going to a WCC was unavailable, so the analysis was necessarily limited to the UI population. The outcome of interest was whether an individual could find employment. LFC staff further disaggregated individuals who received reemployment services and employment assessment (RESEA) from those who did not. In all three circumstances, individuals who used services at a WCC did not have better outcomes than those who did not. See Appendix H for further analysis and methodology.

Survey data suggests most trainings accessed through WCCs are not completed, and a minority of participants are exiting due to employment. A 2023 WSD customer satisfaction survey focused on WCCs and their effectiveness. Of the 107 thousand individuals who received the survey, only 238 responded. From that sample, only 30.6 percent of respondents reported completing the WCC training they most recently participated in. Of the 61.9 percent indicating they had not completed their most recent training course, less than a quarter of the participants stopped attending because they found employment.

Even if a WCC helps job seekers to find employment, wages earned in these jobs may not allow individuals to exit income support programs within the state. The average hourly wage for someone who found full-time employment after receiving employment services in a WCC was \$16.59 in the second quarter of FY24. This number is up from \$14.95 in FY23, and WSD has consistently hit its LFC performance report card benchmarks for this metric since FY21 (see Appendix G). While \$16.59 is almost \$5 higher than minimum wage, it is still below the May 2023 median wage per hour in New Mexico of \$20.97.

The state's Wagner-Peyser program outcomes are consistently in the lowest fifth of metrics nationally and the population served shrank across most counties. During the second and fourth quarters each year, New Mexico is ranked against all other states and the District of Columbia across three core metrics. As evidenced in Table 4, on the following page, the population that the state is serving shrank significantly—with 145 percent rate

Table 3. New Mexico's Rankings for WIOA Wagner-Peyser Programs

	2 nd Quarter Employment	4 th Quarter Employment	Median Earnings
PY17	42	-	46
PY18	43	44	49
PY19	43	45	46
PY20	37	40	42
PY21	46	45	44
PY22	43	41	48

Source: LFC analysis of USDOL state data; rankings include other states and the District of Columbia.

of decline on average since FY20. For example, in FY20, 2,382 individuals exited Wagner-Peyser in the second quarter in San Juan County. In the second quarter of FY24, that number fell to 456 individuals. The San Juan County WCC helped only 277 individuals, or 61 percent of its target, find employment in the second quarter of FY24. Half of states in the United States either retained or increased service populations between FY20 and FY24, meaning that the shrinkage New Mexico is facing is not universal.

WSD’s basic career programs can serve all New Mexico residents, but in FY23, they reached less than a quarter of disengaged individuals.

Any job seeker in New Mexico can walk into a WCC and receive the following services as part of WIOA Wagner-Peyser: resume and interviewing assistance, job referrals to full-and part-time job opportunities, orientation to the workforce connection online system, other online job search assistance, workshops, resume writing, interviewing skills, skills-based assessments, resource center services, and free use of phones, fax, copiers, and computers. By contrast, eligibility-based programs for adults, dislocated workers, and youth receive the majority of federal WIOA dollars. LFC’s 2016 evaluation on workforce estimated only 10 percent of New Mexicans are eligible for eligibility-based WIOA services. In FY22, the average cost per participant for Wagner-Peyser was \$362, while the average cost per participant for eligibility-based services ranged from \$1,734 to \$2,564 based on program type. Wagner-Peyser funding consistently hover around \$5.5 million since the enactment of WIOA. Lastly, eligibility-based programs are contingent on local workforce development board implementation and quality of partnerships, while Wagner-Peyser can and should be standardized across the state because WSD is responsible for its implementation.

In 2022, almost 30 percent of survey respondents who used a WCC in New Mexico did so to fulfill the requirements for a reemployment program. Of individuals surveyed who accessed a WCC in 2022, 28.7 percent did so to fulfill requirements of the reemployment services and eligibility assessment (RESEA), down from 43 percent in 2021. RESEA is an evidence-based case management program that identifies unemployment insurance recipients most at risk of exhausting their benefits and who require assistance in the job search process. The most frequently cited reason for accessing a WCC in 2022 was a job search or job referral (39 percent). Eleven percent of clients used a WCC to attain funding for school or on-the-job training and nine percent did so to use a computer, fax machine, telephone or copier.

Table 4. Counties Where Wagner-Peyser Program Exiters Decreased by at Least Half Since FY20

County	Q2 W-P Exiters FY20	Q2 W-P Exiters FY24	Percent Change between FY20 and FY24
Socorro	224	36	-522%
San Juan	2382	456	-422%
Hidalgo	53	13	-308%
Taos	868	236	-268%
Lincoln	216	61	-254%
Valencia	978	283	-246%
Sierra	62	18	-244%
Eddy	902	262	-244%
Grant	719	217	-231%
Chaves	1074	345	-211%
Sandoval	1797	595	-202%
Dona Ana	3600	1320	-173%
Rio Arriba	505	195	-159%
Torrance	199	81	-146%
San Miguel	747	321	-133%
Curry	517	236	-119%
Bernalillo	4983	2342	-113%

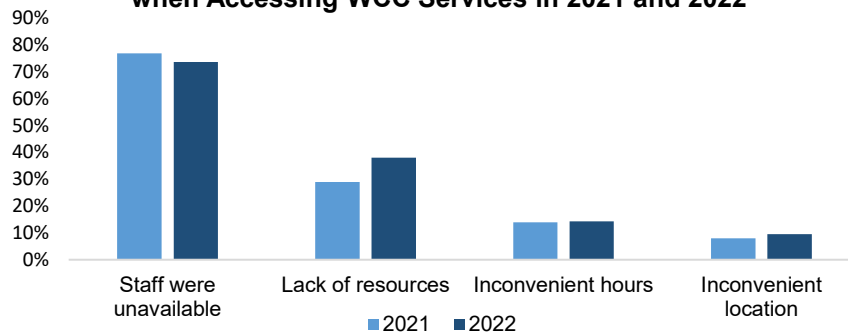
Source: FutureWorks BI from WSD

WCCs and Business Services

Workforce Connections Centers also provide services to businesses and employers, including help with recruitment, hiring events, and training support. The prominence and character of business services varies between rural and urban centers, with some of the bigger urban centers hosting major job fairs and rapid hires. Meanwhile, some rural centers regularly canvas local businesses to compile updated lists of locally available jobs or provide direct consultation to local small-business owners. Like other WCC services, assistance for businesses is increasingly available virtually. For example, on April 1, 2024, the central board launched the Business Services Connector, an online portal that helps employers find new employees or connect existing employees with training opportunities.

Less than sixty percent of survey respondents were satisfied with the services offered by New Mexico WCCs in 2022. Twenty-eight percent of respondents reported that they were not able to find all the employment-related services or support they were looking for at a WCC. The most frequent difficulty reported was that staff were unavailable, followed by a lack of access to computers, fax machines, copiers, and other resources. For those who reported that they were not able to access the right services and support, lack of funding information (39 percent) was the most frequently deficit.

Chart 9: Top Difficulties Respondents Experienced when Accessing WCC Services in 2021 and 2022



Note: Percentages do not add up to 100 as respondents could choose more than one response.
Source: WSD Customer Satisfaction Survey Results 2021 and 2022

Table 6. List of State-Owned Workforce Connection Centers and Associated WSD FY25 Capital Outlay Requests

Location	Repair and Renovation Costs
Alamogordo*	\$693,000
Albuquerque	-
Artesia*	\$645,000
Carlsbad	\$815,000
Deming	-
Espanola	\$661,000
Farmington	-
Hobbs	\$671,000
Las Cruces	\$1,034,000
Las Vegas	\$803,000
Silver City	\$833,000
Subtotal	\$6,155,000
15% Cost escalation reserve/contingency	\$923,250
Total Request	\$7,078,250
Total Awarded in SB 275	\$3,500,000
Percent of Request Awarded	49.4%

Note: In the outlay request WSD submitted to LFC, the numbers for Alamogordo and Artesia were incorrectly transposed. This error has been corrected here and the 15% cost escalation calculation revised accordingly.

Source: WSD FY25 Outlay Request

Co-location with appropriate partners can improve customer service and reduce overhead.

WIOA statute (20 CFR § 678.710) makes the maintenance of infrastructure and buildings the responsibility of local boards or states, and requires that local workforce boards first receive written permission from the secretary of the Department of Labor before expending funds for eligibility-based services on the construction or purchase of buildings (20 CFR § 683.235). While partner organizations that share WCCs must sign infrastructure agreements and contribute to building maintenance, these agreements can be complex and difficult to enforce. Though co-location is a standard practice of the one-stop centers among WIOA partners, additional co-location partnership models include locating WCCs on higher education institution campuses or embedding them within other state agency offices.

Alamogordo and Roswell have similarly-sized WCCs with seven WSD staff positions in each. Alamogordo’s annual overhead from Wagner-Peyser funding for its standalone building is approximately \$132 thousand based on expenditures from late 2023 and early 2024. By comparison, Roswell’s WCC co-located at Eastern New Mexico University Roswell spends about \$80 thousand in Wagner-Peyser funds annually (see Appendix J for methodology). While strategic co-location can reduce overhead, the real benefit is for clients. A relatively new model with potential to improve customer service especially in rural areas is to co-locate WCCs with Income Support Division (ISD) offices. LFC interviews with staff in the Raton office (a new WCC that follows the ISD co-location model) reveals that this arrangement facilitates warm hand-offs between the two agencies, ensuring that users receive employment assistance and wraparound services as needed. Staff in rural WCCs across the state reported that many users walk to their offices, so this model also has the potential to alleviate access issues related to transportation.

While facility safety risks should be addressed, a larger question remains of whether WCCs are the most effective strategy to meet New Mexico’s evolving workforce needs.

Older state-owned WCCs across New Mexico currently suffer from significant deferred maintenance issues, some bearing health and human safety risks. Additionally, privacy and technological concerns are substantial barriers to WCCs providing the best customer service. While safety risks need to be handled immediately, LFC staff research indicates states with highly functional workforce development systems tend to have a more consolidated system of WCCs. Prioritizing co-location with other partners and agencies may cut costs, allow in-person referrals, and facilitate better outcomes tracking.

WSD should prioritize maintenance issues that pose safety risks to staff and members of the public when expending their FY25 capital outlay.

Currently, the state owns 10 out of the 26 WCC buildings across the state, plus a vacant former WCC building in Farmington. In 2023, WSD petitioned the state for \$7.1 million to address urgent maintenance issues at eight facilities constructed during the 1960s. As part of the 2024 capital outlay bill (Senate Bill 275, Chapter 66) the Legislature awarded WSD \$3.5 million towards its request. Because WSD received less than half of its total overall request, and the Legislature did not allocate spending per WCC, it should work with the General Services Department to prioritize facility issues that pose safety hazards to staff and clients before attending to the more superficial issues such as stucco and signage.

Some facility issues flagged in the 2016 LFC report have been addressed, but serious problems persist. Field office visits conducted by LFC staff in 2016 revealed major maintenance issues at some of New Mexico’s state-owned WCCs. Of the four offices that LFC staff visited, Alamogordo, a facility on track to serve about 2,400 customers this fiscal year, stood out as requiring the most deferred maintenance. While the facility now has an automatic handicapped-compliant door absent in the 2016 report, few other issues noted in that report have been addressed in the intervening years. In 2016, staff in the Albuquerque office also indicated the aging carpet was lifting up, posing a trip hazard. Since that report, the Albuquerque office received an interior refresh, including new carpet, and the office was not identified by WSD as requiring additional maintenance in FY25 (see Appendix K for other facility issues observed in LFC fieldwork).

Lack of privacy is a concern at smaller and older WCCs. Smaller, rural centers were more likely to lack places to meet with clients in person. The lack of privacy may create a further barrier to service for at-risk populations and those in tight-knit rural communities. State Wagner-Peyser employees frequently are the front of house for WCCs and set up in the lobby area of smaller centers. This means incoming clients are frequently faced with the prospect of describing their circumstances in front of others in an open room. Older offices in the eastern region feature low cubicles that provide clients with little auditory or visual privacy. Most WCCs offer free phones to connect with unemployment insurance officers, but these are frequently in the lobby with little or no privacy.

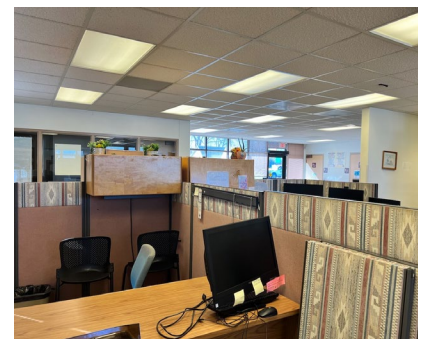
Figure 8. Interior, Alamogordo WCC



WCC staff applied aluminum foil to the windows on the building’s southern exposure to mitigate excessive heat. The desk nearest the window is unusable because of the heat and is currently unoccupied.

Source: LFC Fieldwork

Figures 9 and 10. Interior of Artesia’s WCC.



Low dividers and minimal sound-proofing leads to lack of privacy for staff and customers.



An out-of-order computer in the resource center.

Source: LFC fieldwork.

Technological and communication issues pose a serious barrier to service in some rural offices. Phone systems are a consistent issue across rural WCCs. Most rural offices in the southwestern and eastern regions reported significant issues with their aging telephones. Problems cited include the inability to receive incoming local calls, make outgoing local calls, or transfer calls, calls frequently dropping, and audio quality issues. The central board has recently adopted the Ring Central Wi-Fi calling system. While staff in central region offices with consistent broadband connectivity and technology support availability report high satisfaction with the new system, WCC staff at one outlying office report ongoing problems and a lack of tech support to address them. Some rural staff also reported frequent internet slowdowns and failures. LFC staff observed servers mounted in staff kitchens and janitorial closets of several 1960s-era buildings due to a lack of storage and proper technological infrastructure.

WIOA allows for significant local self-determination when designing other affiliate sites and WCCs. WIOA requires each workforce region within a state to operate at least one physical comprehensive center where “job seeker and employer customers can access the programs, services, and activities of all required one-stop partners.” Beyond these comprehensive centers, WIOA allows but does not mandate the creation of other affiliated sites that provide access to partner services and activities. Significantly, the statute allows for technological and physical linkages between partners. However, the site must physically house other services or staff beyond those serving Wagner-Peyser to be designated as an affiliated one-stop site. It is up to local workforce development boards to design and implement networks of affiliated sites. In New Mexico, one-stop centers are certified by WSD every three years based on the criteria of effectiveness, physical and programmatic accessibility, and continuous quality improvement. Significantly, the rubric for certification does not specify required quantitative outcomes or key performance indicators but relies on qualitative and narrative evidence to provide grounds for certification and re-certification (see Appendix L).

Trends Identified in Michigan’s 2023 WIOA Roundtable:

- Fewer job centers
- Fewer organizations co-located in job centers (though often near in proximity)
- Staff in centers (and out) more hybrid—all services hybrid
- Customer counts down
- “American Job Centers” proper trending down, “network” concept trending up

Source: “The Past, Present, and Future of American Job Centers: WIOA Roundtable”

Local boards should explore a networked approach to providing referrals and basic career services that expands on the traditional foundation of brick-and-mortar WCCs. A 2015 research brief commissioned by the U.S. Department of Labor recommended that under WIOA, local workforce development boards move from thinking of their regions as a system of WCCs to networked access points for customer services. In addition to conventional WCCs, consultants observed local boards using mobile vans, roving outreach teams, and unstaffed community access points such as libraries, community colleges, and other community facilities to reach potential clients. By using these strategies in concert with WCCs, the brief suggested local boards could adopt a networked approach through which appropriate and adaptive services are flexibly distributed—without relying exclusively on the model of clients accessing brick-and-mortar centers. In New Mexico, some rural-serving boards are already doing this out of necessity, orchestrating staff-sharing agreements and mobile offices (e.g., the New Mexico Workforce Mobile Unit) to serve outlying communities.

Recommendations

The local workforce development boards should:

- Work collaboratively with each other, the Workforce Solutions Department, and the state workforce board to reevaluate workforce connections centers as the primary access points for services;
- Work with the Workforce Solutions Department to determine which workforce connection centers should remain operational in the medium- and long-term; and
- Consider co-locating workforce connection center staff with important local partners such as community colleges or offices of the Health Care Authority's Income Support Division.

WSD Needs to Improve Adoption and Implementation of Evidence-Based Practices to Better Serve At-Risk Populations

Numerous evidence-backed practices exist to improve labor force participation for populations with significant barriers to reemployment (see Appendix M). Two programs in New Mexico that could benefit from the rigorous implementation of these practices are reemployment services and employment assessment (RESEA) and New Mexico Works, which serves recipients of Temporary Assistance for Needy Families (TANF). New Mexico Works outcomes plunged after WSD took over program administration starting in 2021. Outcomes for RESEA declined during the Covid-19 pandemic when in-person services were suspended and enrollment became optional. Today, RESEA outcomes vary widely across workforce boards and the individual WCCs providing services. WSD could improve RESEA and New Mexico Works with statewide procedural standardization, implementation of additional evidence-based strategies, and consistent outcomes tracking.

WSD plans to strengthen connections with other social service programs to improve client employment outcomes but struggles with implementation and cross-agency partnerships.

According to WSD, the New Mexico Works program “connects TANF participants to exciting career opportunities through Career Link and Wage Subsidy programs.” The Health Care Authority (HCA) used a private contractor up to FY21 to administer New Mexico Works. In FY21, New Mexico Works was brought under WSD. Despite these cost savings, the program suffers from serious implementation issues and costs per successful employment outcome have escalated significantly. Better oversight and implementation by WSD is needed for both Wage Subsidy and Career Link to succeed.

WSD could significantly improve TANF work outcomes through the high-quality implementation of evidence-backed programs. At the national level, TANF has long prioritized getting participants into employment as quickly as possible. As a result, participants tend to end up in unstable, low-wage jobs—with no easy path out of poverty. In isolation, the model of subsidized employment at the heart of New Mexico Works is not shown to have longer-term positive effects on poverty or employment for TANF recipients, according to the What Works for Health Clearinghouse. However, this model, in concert with other programs and forms of wraparound support, shows more promise. A Center on Budget and Policy Priorities (CBPP) 2021 report urged the adoption of evidence-backed education and training practices

and a focus on getting participants into better quality, higher-wage jobs. In its review of existing research and literature, CBPP found that the most successful TANF work programs combined education, training, and support services and that implementation quality greatly impacts program success (see Appendix N for a list of TANF work program best practices).

TANF participant outcomes declined under WSD’s administration of the program, especially for Career Link. According to information provided by HCA, WSD took over the case management for the Career Link and Wage Subsidy programs in January 2021. For several months, contractor Creative Work Solutions (CWS) continued case management of existing participants as WSD began to refer and place new participants, but the transition ceased by the end of FY21 (June 2021). At its peak in FY18, CWS placed 933 Career Link interns and secured 355 unsubsidized employment placements for program participants. By comparison, in FY23, WSD placed 46 Career Link interns and secured employment for five program participants.

Problems in WSD’s management of the New Mexico Works programs begin with the referral process. WSD is responsible for referring New Mexico Works program participants to either the Career Link or Wage Subsidy program. Chart 11 shows the total TANF work-eligible population versus the number of referrals to the Career Link program before and after WSD took over the contract. Even as the number of work-eligible recipients climbed during the Covid-19 pandemic, referrals from WSD into the Career Link program remain consistently low.

Chart 9. Career Link Placements and Employments

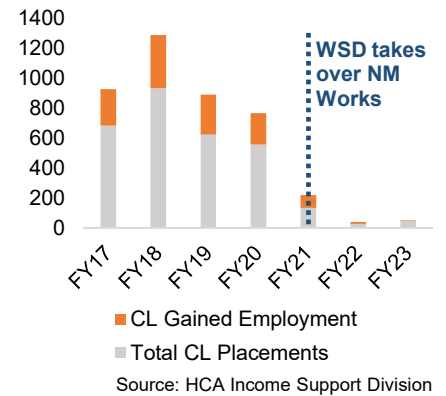


Chart 10. Wage Subsidy Placements and Employments

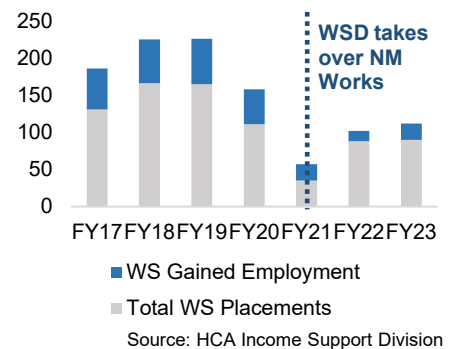
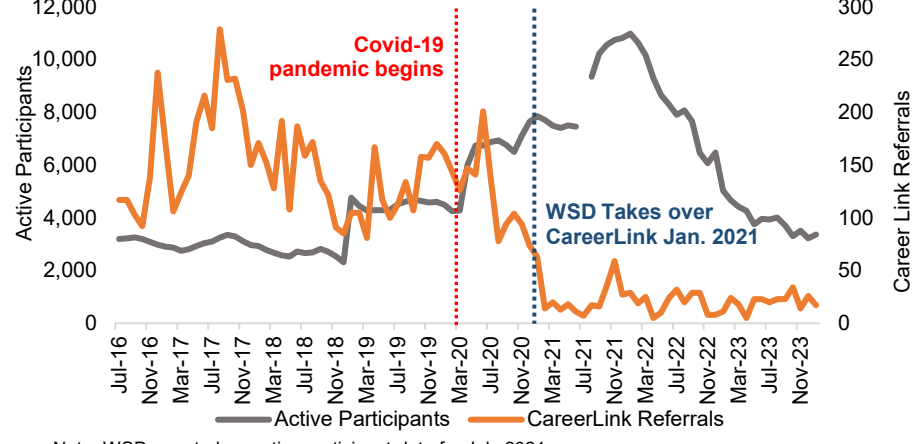
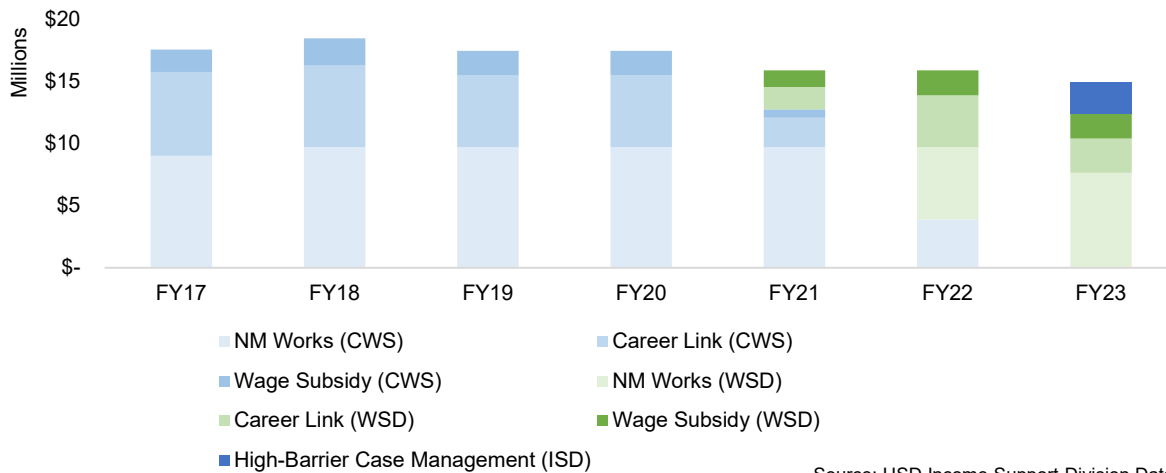


Chart 11. Total TANF Work-Eligible Caseload versus number of CareerLink Referrals Before and After WSD Takeover of New Mexico Works Contract



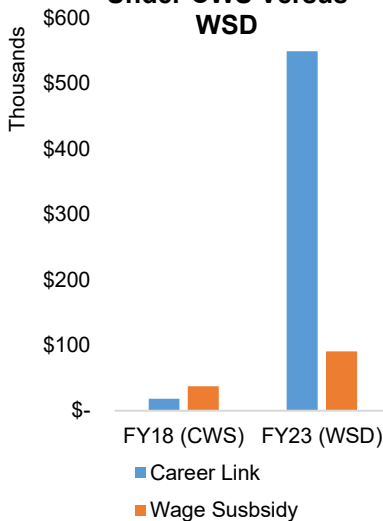
Despite moderate overall cost savings, costs per successful participant outcome skyrocketed since New Mexico Works transitioned to WSD. Though overall program costs fell with the transition from CWS to WSD, New Mexico Works cost per successful placement in unsubsidized employment grew nearly threefold for Wage Subsidy participants and almost thirtyfold for Career Link participants between FY18 (the highest spending year for CWS) and FY23. WSD spent over \$2.7 million of TANF funds in FY23 to employ just five participants for Career Link.

Chart 12: New Mexico Works Expenditures FY17-23



Source: HSD Income Support Division Data

Chart 13. Cost per Successful Employment Placement Under CWS Versus WSD



Source: LFC Analysis of HCA data

New Mexico Works program participants are not finding sustainable employment at livable wages. Despite monthly caseloads of between 3,500 and 4,000 clients, only 517 New Mexico Works participants in FY23 gained employment and only 232 exited the TANF program due to sufficient income. Further, WSD’s available data (which includes part of FY22 and all FY23) indicates that employment retention among participants was only 48 percent after 90 days and 40 percent after 180 days—meaning that after 180 days, only about 93 participants retained their employment. Finally, the average wage of individuals who found unsubsidized employment through these programs tended to be low. In FY23, the average wage obtained for unsubsidized employment from Career Link was \$13.60 per hour, only \$1.60 per hour above the state minimum wage. Wage Subsidy placements fared slightly better, earning \$19.07 working for state agencies but still well behind the state’s May 2023 median wage of \$20.97.

HCA demanded immediate action to improve WSD’s administration and performance of New Mexico Works. According to the general services agreement between HCA and WSD, WSD must place 50 percent of mandatory New Mexico Works participants in unsubsidized employment with a sustainable wage for the area within one year of TANF grant approval. According to data provided by WSD to HCA in FY23, WSD had a 24.4 percent employment success rate for the Wage Subsidy Program and an 11 percent success rate for the Career Link Program. In response, HCA required that WSD submit an improvement action plan. WSD’s proposed plan (submitted February 9, 2024) includes numerous agency interventions designed to improve case management outcomes. Despite pointing to specific interventions WSD will undertake, the agency does not outline quantitative intermediary goals to benchmark its progress. The 50 percent goal in the agreement remains the only tangible metric of success.

WSD and HCA should take advantage of permissive federal requirements to radically re-imagine the structure and function of New Mexico Works. States are required to report the work participation rate (WPR) of their TANF populations to the United States Administration for Children and Families (ACF). Nationally, states must maintain a 50 percent WPR among all families

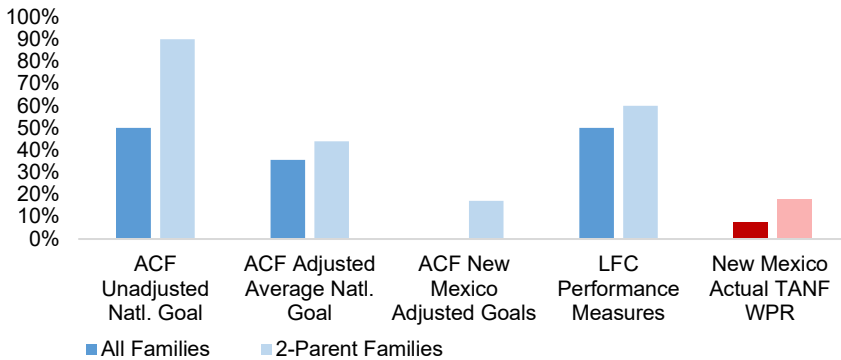
Key Points from WSD’s New Mexico Works Improvement Plan

- Referral and Enrollment Improvements
- Training and Professional Development
- Quality Assurance and Continuous Improvement
- Outreach and Engagement Strategies

Source: WSD Improvement Action Plan

and 90 percent for two-parent families. However, states can effectively lower those requirements by paying into separate state programs and demonstrating maintenance of effort. New Mexico’s effective WPR requirement for FY23 was 0 percent for all families and 17.2 percent for two-parent families.

Chart 14. TANF Work Participation Rate Targets vs Actuals, FY23



Source: Administration for Children & Families, LFC Vol. 2

Even with these very low requirements, since the switchover to WSD as the contractor for New Mexico Works, the state struggled to meet its ACF-mandated two-parent family WPR goals and fell short of LFC performance metrics, which focus on the New Mexico Works program as a whole, by a wide margin. In FY23, New Mexico ranked 43rd in the nation for all-family work participation and 45th for two-parent family participation.

However, as the Center on Budget and Policy Priorities points out, the lack of federal accountability for TANF work participation creates an opportunity to fundamentally rethink these programs and services with little threat of funding repercussions. New Mexico should look to successful, evidence-backed TANF work programs, such as San Francisco’s STEP Forward program described in the callout box.

WSD is currently addressing systemic referral issues within New Mexico Works.

New Mexico faces challenges in streamlining referrals and tracking outcomes across its four local workforce development boards despite having access to a potential unified module through the workforce connection online system (WCOS). Siloed operations and the reliance on manual data entry impede efficiency, while a lack of integrated software infrastructure complicates tracking outcomes and inter-agency collaboration. Initiatives like the Aligned Case Management Institute aim to address these issues by developing a unified intake and case management system to improve service coordination and outcomes tracking.

Each of the four workforce development boards has its own referral system, despite the availability of an in-house referral system through WCOS. WCOS (managed by Geographic Solutions) is the management information system currently used by WSD to track participants for both state and federal reporting requirements. WCOS features an optional module that enables referral tracking, which the vendor brought online circa 2019. When

San Francisco’s STEP Forward program showed that subsidized employment can produce sustained positive outcomes for TANF recipients.

San Francisco’s STEP Forward program was a subsidized employment program (2012-2015) that targeted several low income groups, including TANF recipients who had timed out of benefits. The key innovations of the programs were treating businesses hiring subsidized workers as “clients” and cultivating relationships with higher-wage employers. Additionally, participants were provided with extensive wraparound supports with focus on job and interview readiness. Program participants experienced higher wages and employment outcomes even a year after the program had ended compared to the results of a control group. Survey findings also indicate that program participants landed in better quality jobs. Overall, STEP Forward demonstrated the importance of quality work placements that balance the needs of employers and workers.

Source: Riley, 2019.

the Covid-19 pandemic hit, WSD saw an opportunity to improve statewide data systems because users were forced to access WCOS in the absence of open connection centers. After walking regional board leadership through the WCOS module, only the southwestern board pursued this option. Currently, the southwestern WCOS referral system buildout is approximately 80 percent complete, according to WSD staff, but stalled when the board employee overseeing the project departed. With no statewide system, local boards still must rely on “warm hand-offs” for program participants who move between regions.

Table 7. New Mexico Works Software Workflow

Product	Function
ASPEN	Initial TANF intake through HSD and referral to WSD (New Mexico Works). Data system of record.
WorkPath (Salesforce)	New employment services case management system. Designed specifically for managing TANF clients and their employment service activities. Supplants the previous software database system, TANF Pro, a proprietary software used by the previous NMW contractor.
WCOS (Geographic Solutions)	Tracking of uptake and outcomes in other WSD programs (specifically data and services that is not supported through ASPEN or WorkPath).
SHARE (NM Human Capital Management)	Managing subsidized employment opportunities, i.e. Career Link and Wage Subsidy.
Microsoft 365 Teams & Share Point	Enable communications between HSD and WSD not yet supported in Workpath.

Source: New Mexico WIOA Plan PY24-28

Referrals across agencies pose particular hurdles for outcomes tracking. Due to the nature of the one-stop center model and the multiplicity of programs available to at-risk individuals in New Mexico, many types of inter-agency referrals are routed through WSD offices. One Wagner-Peyser employee devised a way of tracking referral outcomes on their own spreadsheet because the Salesforce-based referral software used by HCA’s Child Support Enforcement Division (CSED) does not allow for inter-agency data entry. For some CSED participants who have had their driver’s licenses suspended, enrolling in WCOS and meeting with a Wagner-Peyser employee is one of the requirements to have their licenses reinstated. Thus, it is important to track these meetings and any follow-up, but WSD and HCA currently lack the software infrastructure to track what happens after the hand-off from HCA to WSD. Currently, HCA uses a spreadsheet to track referrals into WSD programs.

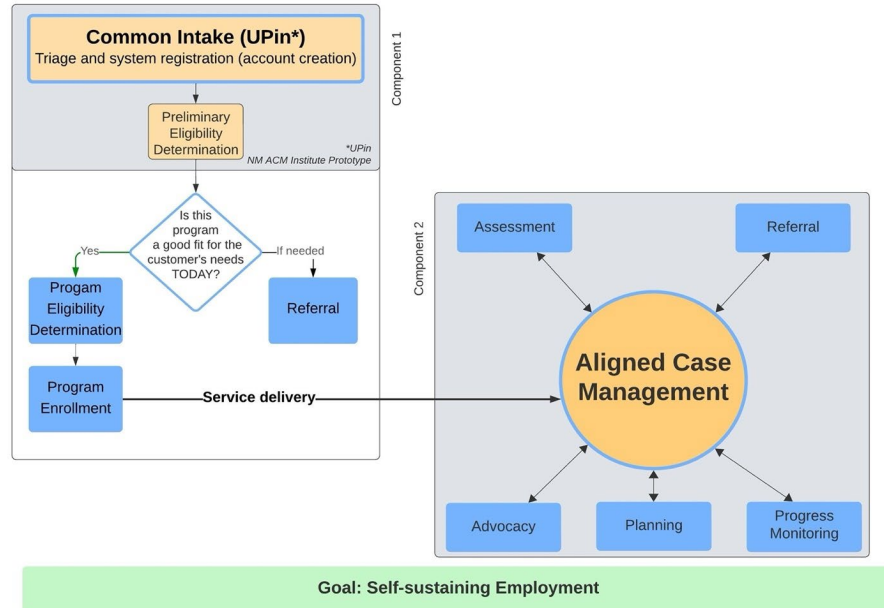
The current New Mexico Works software workflow is labor-intensive and inefficient. Under the current software setup, WSD employees frequently enter client information manually across three or more disparate software platforms. This workflow is laid out in WSD’s 2024-2028 WIOA plan and confirmed by both WSD and HCA staff in LFC interviews. HCA uses the Automated System Program and Eligibility Network (ASPEN) for initial intake and referrals. Eventually, WorkPath will supplant parts of the ASPEN system. Additionally, WSD tracks participants using its own system, WCOS. Finally, WSD uses SHARE to manage the program’s subsidized employment opportunities.

Some types of referrals put the onus of an arduous application on clients with existing employment barriers. To access programs such as WIOA Title I training, applicants must demonstrate their eligibility through long and frequently invasive applications. For instance, the application and paperwork for WIOA eligibility-based programs funding in the northern region is over 20 pages long, only available on paper, and includes several duplicate pages (see Appendix P). This kind of bureaucratic hurdle imposes a major barrier to access that can deter program uptake. The 2021 LFC program evaluation *Stacking of Income Supports* found time-related barriers, such as being too busy to apply for support programs, had greater negative impacts on parents, poor individuals, African American families, and those with physical or mental health disabilities.

WSD and its partners are taking steps toward an effective and cost-efficient closed-loop referral system. In fall 2023, WSD and its WIOA partners participated in the Aligned Case Management (ACM) Institute, an initiative facilitated by the Department of Labor’s Employment and Training Administration’s Office of Workforce Investment and the National Association of State Workforce Agencies Workforce Information Technology

Support Center. Participants collaborated with industry leaders, prototyped potential solutions, created the outline for a replicable framework, and designed a state-specific action plan. The gap analysis conducted by the ACM team identified the same issues as LFC staff, including siloed operations, duplication of services, concern over sharing personally identifiable information, and inability to track participant outcomes across programs and agencies.

Figure 11. Recommended Common Intake and Aligned Case Management Model



Source: WITSC and WSD, “Aligned Case Management: Analysis and Recommendations Report”

The vision for the future that emerged from the ACM is a two-component system that combines a common intake platform with a statewide approach to workforce case management that addresses clients’ holistic needs. The Unified Partner Information System (UPin) is envisioned as a cloud-based technology platform for customer records that will cross-populate records with existing software systems used by different agencies. By triaging UPin inputs and streamlining preliminary assessments for eligibility-based programs, participants in the ACM Institute hope to create a system that recognizes clients’ strengths while also providing support to overcome barriers to employment.

WSD leadership should pursue a complete program and services inventory before or concurrently with the UPin and aligned case management system buildout. While the “Next Steps” portion of the ACM plan calls for a statewide inventory of assessment and referral systems currently in place, WSD should also inventory all of the programs related to workforce development in the state, including those under its direct jurisdiction and those run through partner agencies. The work of the ACM Institute recognizes the importance of staff cross-training to expand knowledge of key features of partner programs. LFC staff fieldwork revealed that cross-training is already a standard practice in some larger urban connections centers, where employees are encouraged to acquire extensive knowledge of partner programs and to avoid identifying themselves to customers as “Title I” or “Wagner-Peyser.” A program inventory, ideally built in a way that is universally accessible to state employees, is critical to

facilitating the cross-training model and ensuring the efficient implementation of a new referral system.

A comprehensive program inventory will support program co-enrollment, a promising practice that is, in some circumstances, federally mandated. In 2022, the federal Government Accountability Office found, despite federal reporting requirements, program data submitted to the U.S. Department of Labor did not include co-enrollment information on up to 67 percent of WIOA participants nationally. Co-enrollment statistics are critical for evaluating program effectiveness and identifying areas for growth. Additionally, some co-enrollments have already been shown to improve participant outcomes, such as WIOA dislocated worker participants who are also enrolled in the Trade Adjustment Assistance program. However, successful co-enrollment across the six core WIOA programs relies on an effective referral structure and strong cross-agency partnerships. Compared to other states, such as Alaska, where all four titles of WIOA are housed within the state’s Department of Labor and Workforce Development, New Mexico’s titles are spread across three different departments (WSD, the Higher Education Department, and the Public Education Department), reinforcing the need for close collaboration around co-enrollment and inter-agency referrals.

Despite being an evidence-backed practice, Reemployment Services and Employment Assessment (RESEA) is not achieving expected outcomes in New Mexico due to uneven implementation and evaluation.

RESEA, a voluntary federal program that New Mexico implements statewide, has been shown to reduce the duration and total payouts of unemployment insurance benefits when implemented rigorously. Despite making strides in RESEA’s effectiveness, New Mexico’s program faced setbacks during the Covid-19 pandemic, highlighting the need for revised strategies and evidence-based practices to regain and surpass previous achievements. With recent legislative changes allowing for more flexible and innovative approaches and the shift to remote service delivery, New Mexico has the opportunity to refine its RESEA strategy to better meet the needs of unemployment insurance claimants and enhance overall program performance.

In New Mexico, outcomes for RESEA recipients vary but tend to follow trends within the wider population receiving unemployment insurance. As part of RESEA, unemployment insurance recipients must participate in up to three mandatory sessions with workforce staff to receive an orientation to workforce services, develop a reemployment plan, and get referred to additional services. Implemented with high fidelity, this program is shown to boost short- and long-term employment and earnings. During FY19, about 20 percent of all unemployment insurance claimants nationwide received RESEA services.

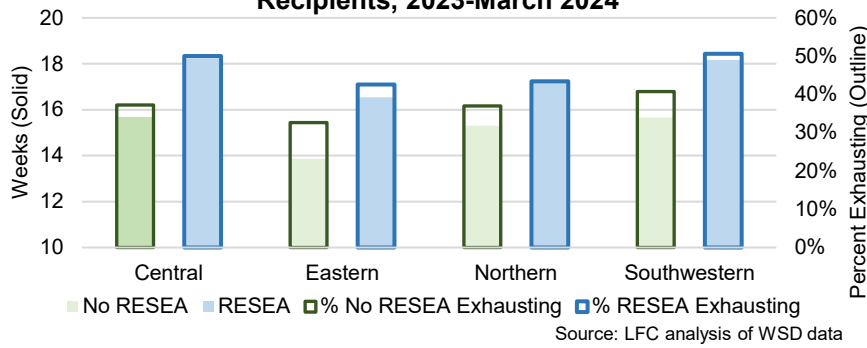
However, New Mexico has not seen the impacts expected from the evidence-backed program. From January 2023 through March 2024, RESEA participants in the state’s eastern region spent the fewest weeks receiving unemployment benefits (16.5). However, the eastern board’s unemployed population spends the least time receiving unemployment insurance to start with (13.9 weeks). This makes it difficult to discern whether the eastern board’s RESEA outcomes are due to the new pilot program, described on page 29, or to demographic factors of the region.

At a minimum, RESEAs must provide participants with:

- Support in the development of an individual reemployment plan
- Customized career and labor market information
- Enrollment in the Wagner-Peyser Employment Service
- Information and access to other American Job Center services and resources that support the claimant’s return to work.

Source: USDOL Office of Unemployment Insurance

Chart 15: Weeks on UI and Percentage Exhausting UI by Workforce Board for RESEA and non-RESEA Recipients, 2023-March 2024



New Mexico’s RESEA state plan currently only lists one evidence-based practice based on a study from 1985. As part of the new federal policy that states adhere to evidence-based standards and evaluation requirements in implementing RESEA, states are asked to list in their RESEA plans which practices they are using that receive the rank of “high” or “moderate” causal rating in the USDOL’s Clearinghouse for Labor Education and Research (CLEAR). New Mexico only lists one practice in this section that derives from a study completed nearly 40 years ago. However, CLEAR lists multiple low-cost more recently evaluated interventions to improve RESEA outcomes, some of which are reproduced in Table 8. Some of these, such as including modifications to the initial RESEA notification letter based on behavioral research (see Darling et al., 2017), could be executed at virtually no cost to WSD or local boards.

Within boards, RESEA referral and implementation varies dramatically between WCCs. LFC staff analyzed data for unemployment insurance (UI) recipients from 2023 through March 2024 provided by WSD, which used participants’ zip codes to match them with their nearest WCC. Confirming information ascertained during LFC fieldwork interviews, this data reveals that some WCCs have not enrolled any RESEA participants over the period represented in the dataset. For one office that stopped enrolling new RESEA clients, staff cited space constraints and inadequate facilities to accommodate mandatory RESEA activities. While some WCCs are enrolling no new clients, six WCCs across the state enrolled over 60 percent of their UI claimants in RESEA.

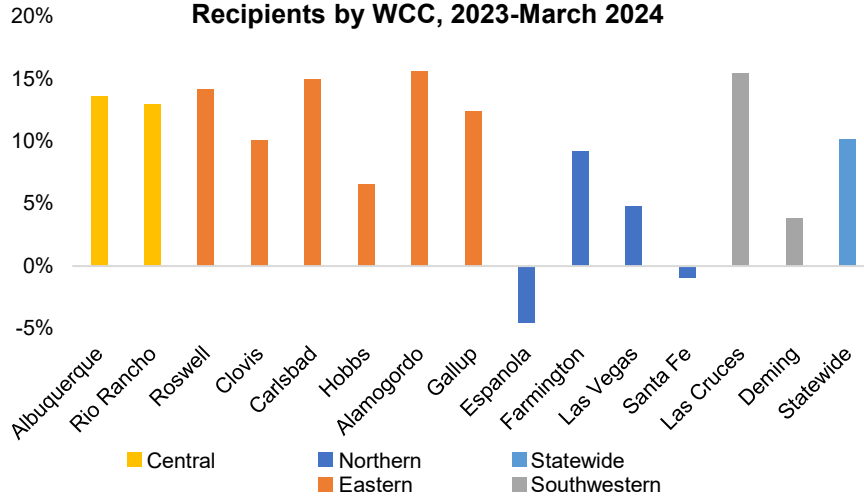
Additionally, comparing WCCs that had at least 100 UI recipients not in RESEA and 100 participants enrolled in RESEA over the dataset, LFC staff were able to compare outcomes from those on RESEA to those in the overall UI population. Except for the eastern board, which is pursuing a universal enrollment policy at participating WCCs, RESEA participants are selected based on their higher risk of exhausting UI benefits. Thus, one metric of RESEA’s success is whether the program can help this higher-risk group of claimants perform as well or better than the rest of the UI population. Even in the high-performing eastern region, there is still a large gap in outcomes between those on RESEA and those in the larger UI population. However, two offices in the northern region (Española and Santa Fe) had fewer RESEA clients exhausting UI benefits than their non-RESEA UI counterparts.

Table 8. RESEA Evidence-Backed Practices and Promising Practices

Practice	Outcome
Multiple treatments	Fewer weeks of UI benefits (Klerman et al., 2019)
Better notifications for clients (appointment reminders, etc.)	Higher attendance of clients at initial and subsequent meetings (Darling et al., 2017)
Structured Job Search Assistance	Fewer weeks of UI benefits, less benefit payment, less UI exhaustion (Decker et al., 2000)
Have the same staff who conduct the initial eligibility assessment also address reemployment services in the same meeting.	Improving retention and continuity for participants (Michaelides et al., 2012)

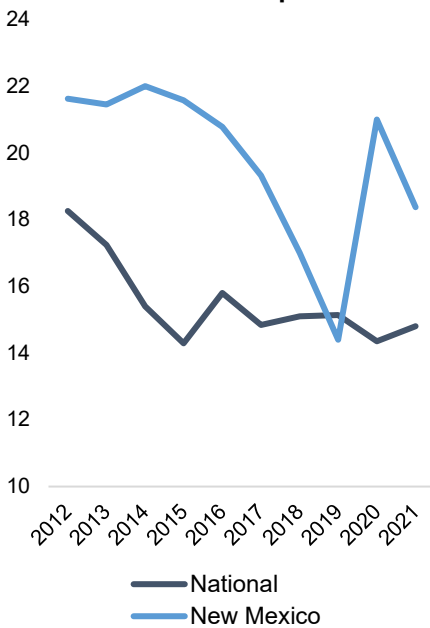
Source: USDOL CLEAR

Chart 16. Percentages of RESEA Recipients Exhausting Benefits Compared to Non-RESEA UI Recipients by WCC, 2023-March 2024



Source: LFC analysis of WSD data.

Chart 17. Average Weeks to Reemployment for RESEA Participants



Source: LFC Analysis of USDOL Office of Unemployment Insurance Data, Table ar9129.

New Mexico made significant performance improvements in its RESEA implementation over the past decade but backslid during the Covid-19 pandemic when in-person operations froze and enrollment requirements loosened. Between 2012 and 2019, New Mexico closed the gap and even surpassed the national average for weeks that RESEA participants spent receiving unemployment insurance. However, when WSD froze face-to-face services and reduced some program accountability components in March 2020 due to the Covid-19 pandemic, the state experienced significant losses in program performance.

By spring 2021, 80 percent of states were most often conducting their initial RESEA meetings by phone. A 2022 Department of Labor study concluded that the transition to remote services for RESEA clients was likely to persist, moving the program from heavy reliance on in-person meetings at WCCs to a decentralized and remotely administered model. In WSD’s RESEA state plan (updated and approved June 2023), Employment Services or WIOA staff can conduct all mandatory RESEA activities as either in-person meetings or remotely via phone or video call. Given federal emphasis on evidence-based practices for RESEA, the state has an opportunity to follow the lead of other states in reevaluating the program’s statewide implementation—including the relative effectiveness of virtual case management. For example, both North Carolina and Wisconsin are working with the American Institutes for Research to implement randomized controlled trials of their RESEA systems to ascertain current effects and opportunities for growth.

New Mexico’s local board structure makes it difficult to control for regional variation in RESEA outcomes or to standardize evidence-backed practices across the state. Beginning with an initial pilot at the Clovis office in February 2019, the eastern workforce development board implemented two innovations designed to improve RESEA performance. First, participating offices in the eastern board region mandate UI recipients enroll in RESEA after receiving their first unemployment payment. Second, all participants are co-enrolled in Wagner-Peyser and applicable WIOA programs for which they are eligible during their initial RESEA intake session and are provided with additional wraparound services. Due to interruptions of the Covid-19 pandemic and a July 2022 national WCOS outage, the evaluation of

program outcomes is still in its preliminary stages. However, the degree of local autonomy granted to the four boards under WIOA means that even if the eastern board’s interventions yield promising results, other boards will still have a choice of whether to adopt them. Additionally, because the eastern region is predominantly rural and covers most of the state’s oil- and gas-producing counties, it will be challenging to determine whether the effectiveness of these interventions are unique to this population or could be translated across the state. See Appendix Q for more about the benefits of local board consolidation.

Recommendations

The Workforce Solutions Department should:

- Set concrete, quantitative intermediary goals for improvement of the New Mexico Works programs, with a focus on Career Link;
- Work with the Health Care Authority to bolster New Mexico Works performance by courting high-wage employers as Career Link partners and adding additional wraparound supports to the program;
- Revise its operating model for the New Mexico Works program to incorporate the evidence-based practices of providing education, training, and support services for all recipients, and report to the Legislature on these efforts by November 2024;
- Fully inventory all governmental programs functioning as part of the workforce development system to encompass economic development, education, social services, employment services, and employment development. Ideally, this inventory should be completed before any new programs are built or new partnerships outside of the federally mandated ones are implemented;
- Implement the Aligned Case Management Institute’s proposed unified, closed-loop UPin referral platform by the end of FY25; and
- Track a control group of UI claimants to better evaluate the outcomes of its RESEA programs.

The local workforce development boards should:

- Implement newer evidence-based strategies as part of their RESEA case management design.

The Workforce Solutions Department in conjunction with the Legislative Finance Committee and Department of Finance and Administration should:

- Add performance measures for New Mexico Works to agency performance tracking and report cards, specifically regarding the number of referrals made into Wage Subsidy and Career Link programs and the number of participants who gain unsubsidized employment each quarter in FY26; and
- Add RESEA performance measures to agency performance tracking and report cards, including a comparison of average weeks on UI and average individual dollar amount of UI payments for RESEA and non-RESEA populations in FY26.

Eastern Workforce Development Region RESEA Model

Rolled out in February 2019 as a pilot in Clovis, the pandemic halted expansion of the Eastern board’s new RESEA model, which includes:

1. All UI recipients automatically enrolled in RESEA after their first UI payment.
2. All eligible recipients are co-enrolled in eligibility-based and Wagner-Peyser programs during their initial meeting.
3. All recipients receive wraparound services.

Statewide Supports Have Improved Employment Rates, But Some New Mexicans Are Still Left Behind

While WSD is the agency primarily responsible for ensuring that disengaged individuals re-enter the labor force, other stakeholders also have opportunities to create new structures and programs that facilitate workforce participation. Expansion of the state’s working families tax credit (WFTC) to non-custodial parents and childless workers may help ease the financial transition for individuals who wish to re-enter the labor force. Furthermore, re-examining New Mexico’s income supports is necessary, as previous LFC reports found the state’s “benefits cliff” disincentivizes workforce participation. Finally, WSD should look to other states, including Louisiana and North Carolina, to inform best practices.

New Mexico could incentivize disengaged individuals to re-enter the labor force by expanding the state working families tax credit.

The federal earned income tax credit (EITC) is designed to help low- and moderate-income families receive a tax break. Although childless workers can benefit from the EITC, the credit is primarily designed to help families with children, who can claim qualifying dependents to receive additional tax relief. New Mexico is one of 31 states that offer a state version in addition to the federal EITC, known here as the WFTC. A 2018 legislative study in Maine revealed increasing state EITCs can help smooth the financial transition from receiving benefits to earning income through employment. Additionally, the EITC has long-term effects on children whose families received it, improving high school graduation rates, college completion, and future earnings and employment.

Expanding the existing WFTC to include both non-custodial parents and childless workers over 25 could help employment pay off for individuals entering the labor force and their families. Currently, most state EITCs are calculated as a percentage of the federal EITC. This is true for New Mexico, where the WFTC is based on 25 percent of the federal rate. The WFTC is also refundable, which means if the credit exceeds the state income tax liability, the family will receive the excess amount as a payment. With this structure, the benefits of the federal credit are amplified. For instance, evidence from multiple research studies shows the federal EITC’s employment outcomes are most pronounced for single-parent families, especially those headed by mothers because this demographic receives the greatest financial benefits.

Some states are reforming their EITCs to target populations left out by the federal credit, including childless workers and undocumented residents. New Mexico’s WFTC, for instance, already extends eligibility to those filing with an individual taxpayer identification number (i.e., potentially undocumented workers who lack social security numbers) and filers between 18 and 25 who are not dependents, including those with and without children.

Even though non-custodial parents and childless workers have fewer or no expenses pertaining to childcare and the support of dependents, these groups still feel the effects of the benefits cliff described in the following pages. For this group, the federal EITC currently provides very limited support or incentive to work. Whereas the maximum federal tax credit for a parent with

one child was \$3995 in 2023, it was \$600 for a childless worker. In New Mexico, childless workers up to age 25 are eligible for the WFTC, which is matched at the same percentage of 25 percent of the federal EITC, or up to \$150 for 2023.

If New Mexico were to expand the WFTC following the District of Columbia (DC) model of a 100 percent match of the federal EITC for childless workers of any age, it would likely cost the state an additional \$12 million to \$20 million each year. To address this disparity between families with children and those without, Maine, Maryland, New York, and DC increased their EITC match for workers without qualifying children, including both adults without children and non-custodial parents. DC matches up to 100 percent of the federal EITC for childless workers; meaning that if an individual were eligible to receive the maximum payment of \$600, DC would contribute an additional \$600 for a total of a \$1,200 refund. In DC, between 2014 and 2015 (when the expansion to childless workers took effect), the pool of taxpayers filing for an EITC grew 30 percent. However, the expansion to childless workers cost the district only \$8 million in foregone revenue—less than 0.1 percent of DC’s general revenue. For non-custodial parents, the expanded WFTC could be garnished if full child support payments have not been made. New York effectively used this structure to incentivize non-custodial parents to gain employment and to make full, on-time child support payments.

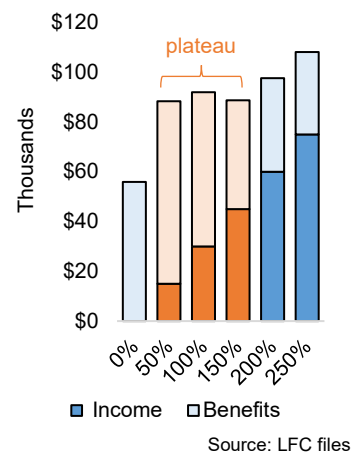
Given the proven benefits of the earned income tax credit on poverty rates and life outcomes, New Mexico may also wish to explore a broader expansion of the WFTC for families with children as well. However, the Center on Budget and Policy Priorities recently released a study finding that “childless adults are the lone group taxed into poverty.” The recommendation to fully match the federal EITC for childless and non-custodial workers recognizes that there are currently few tax incentives at the federal or state level to reward individuals in these categories who are pursuing employment.

New Mexico’s benefit structure makes it difficult to re-enter the workforce and overcome poverty through earned income.

Since the turn of the century, New Mexico has seen a disproportionate increase in the recipients of federal income supports compared to national rates. Research indicates that the availability of these benefits, particularly Social Security Disability Insurance (SSDI), hurts labor force participation among those on the margins of eligibility. Furthermore, individuals in New Mexico experience a sharp reduction in benefits as their earned income increases, creating a disincentive for workforce entry.

Multiple high-quality research studies found the availability of benefits under the SSDI program negatively affects labor force participation for individuals on the margins of eligibility. One study found that “subsequent employment would have been 28 percentage points higher two years after the initial award had they not received benefits.” This effect varied considerably across recipients, with no effect among those with severe conditions to 50 percentage points for applicants with the least severe conditions. Another study found that \$1,000 in SSDI benefits reduces the probability of employment by 1.22 percent. In December 2022, 4.6 percent of New Mexicans

Chart 18. Estimated Monetary Value of Income and Benefits for a Married Couple with Two Kids by Income as Percent of the Poverty Level, 2023



Source: LFC files

aged 18-64 received SSDI compared to 3.9 percent of people in the United States.

Table 9. Policy Levers for Mitigating Benefits Cliffs

Expand state Earned Income Tax Credit
Modify TANF and SNAP asset limits by increasing limits, indexing to inflation, and/or exclude certain kinds of savings such as retirement and child savings accounts
Create state & federal benefits calculators that help clients and case managers anticipate benefits cliffs
Promote investment escrow and Individual Development Accounts
Establish childcare voucher program for parents attending community college
Implement transitional food benefit for those exiting TANF or SNAP
Coordinate between benefit programs to ensure staggered cut-offs
Collaborate with workforce programs to promote high-demand, high wage career pathways

Source: National Conference of State Legislatures

A 2023 LFC progress report on stacked income supports found state residents experience a sharp drop-off in benefits, or cliff effect, as their earned income increases. The report detailed how financial gains plateau for households with incomes at 50 percent of the federal poverty level (FPL) to 150 percent of the FPL because increasing wages correspond with decreasing benefits, particularly Medicaid, SNAP, and tax credits. For example, a married couple with two children whose wages increased by \$30 thousand would lose more than \$29 thousand in benefits, including estimated losses of more than \$11 thousand in Medicaid, \$6,700 in SNAP, and \$6,000 in taxes through state and federal earned income tax credits. Therefore, the actual benefit from the additional \$30 thousand in earnings is only an estimated \$378.

The acute drop-off in benefits means an individual or family would need to develop significantly higher earnings to overcome the plateau created by the concurrent benefit cut-offs described above. The National Conference of State Legislatures noted the cliff effect can “create an anchor into, rather than a ladder out of, poverty.” In New Mexico, the wage plateau ends at roughly the average salary of at least one full-time earner with an associate’s degree. Therefore, additional education may be required to increase income above the plateau. Benefits cliffs also damage the hiring prospects of employers, who struggle to attract employees facing steep benefits drop-offs due to earned income.

Families and individuals must be able to build up assets to smooth the transition from receiving benefits to earning income. Currently, asset limits attached to certain programs like SNAP and TANF can make this transition difficult. The 2023 LFC *Stacked Income Supports* progress report recommended that HCA index TANF asset limits to inflation. New Mexico’s TANF asset limit of \$3,500 is the same as in 2005. However, in 2022, HCA received \$1.8 million from the Legislature to reinstate its Transition Bonus Program. Starting in July 2023, this program began providing \$200 a month for up to 18 months to eligible working families to supplement their income and soften the cliff effect. Finally, workforce development programs should provide benefits recipients with pathways to high-demand, high-wage occupations that can help them “pole vault” over the wage plateau and into a higher earning bracket.

New Mexico should look to other states when developing workforce strategies to employ the disengaged.

One factor specific to New Mexico’s ability to influence the state’s labor force participation is its benefits structure. This factor, alongside national macroeconomic trends such as widening opportunity and pay gaps, have shaped New Mexico's labor market dynamics. Drawing on the methods from a recent survey of disengaged workers in Louisiana, New Mexico could benefit from similar research to tailor its workforce policies and programs more effectively to its unique socioeconomic landscape. Additionally, North Carolina’s structure of combining its workforce and economic development departments within the same state agency has potential benefits and ensures alignment of strategic priorities.

Table 10. Average New Mexico Income by Highest Degree Attained, 2022

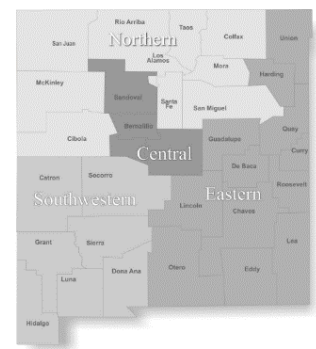
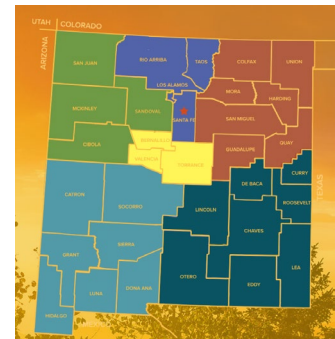
Highest Degree Attained	Average Income
No high school degree	\$26,396
High school degree	\$31,961
Associate's Degree	\$39,701
Bachelor's Degree	\$55,322
Advanced Degree	\$73,105

Source: National Center for Education Statistics

The Workforce Solutions Department (WSD) should prioritize a research survey similar to the one conducted in Louisiana, which may inform tailored workforce policies and programs for New Mexico’s unique economic climate. A 2023 study from Louisiana State University’s Center for Economics, Business, and Policy Research surveyed working-age individuals who were neither employed nor looking for work. Researchers in Louisiana found 14 percent of the disengaged population is doing some kind of independent work for pay, despite being classified as not in the labor force. They also found disability benefits are the leading means of funding living expenses among respondents. The need to care for children or other family members and low wages represented the biggest reasons for leaving the workforce. The report recommended a targeted expansion of childcare and elder care programs to entice more prime-age potential workers back into the Louisiana labor force. Given the 2023 expansion of New Mexico’s Childcare Assistance program and waivers for family copays, a survey of this scale could help the state better understand whether these supports are working to help parents get back into the workforce or if additional supports and/or restructuring are required. Appendices R and S explore two factors (New Mexico’s high population of veterans and the distribution of populations with substance use disorders) that may also affect New Mexico’s patterns of labor force engagement.

WSD improved collaboration with the Economic Development Department (EDD), but tighter integration is required to eliminate duplication of services and address the needs of employers. WSD and EDD partner to run the state’s Rapid Response Program. LFC’s 2020 workforce policy spotlight found the system was not working as intended during the pandemic, with many layoffs reported by WSD on or after the date of anticipated job cuts. Implementation has improved significantly since that report (see Appendix T). WSD and EDD also initiated several staff-sharing pilots. WSD now employs two full-time staff within the employer retention program led by EDD, which relates to assessing vulnerabilities that may trigger a Rapid Response warning. However, there are additional opportunities to tighten integration for improved performance. For instance, EDD divides the state into six business development regions, which do not align with New Mexico’s four workforce development boards. Board officials cited this misalignment as a barrier to effective collaboration between EDD and Workforce programs. North Carolina, ranked number one for both workforce development and business climate in 2023 by CNBC, packages economic development and workforce solutions within the same state agency.

Figure 12: EDD Regional Divisions (above) versus Local Workforce Development Board regions (below)



Source: EDD and WSD

Recommendations

The Workforce Solutions Department should:

- Implement a study focused on the granular characteristics of New Mexico’s disengaged population to foster targeted programming and policy solutions; and
- Tighten integration with EDD following models of states with high-performing workforce development.

The Legislature should consider:

- A targeted expansion of the state’s working families tax credit to non-custodial parents and childless workers to soften the benefits cliff and facilitate the reemployment transition for at-risk New Mexicans.



MICHELLE LUJAN GRISHAM
GOVERNOR



SARITA NAIR
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April 10, 2024

Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Honorable Chair Muñoz and Legislative Finance Committee Members:

Thank you for the opportunity to share our thoughts on the April 2024 Legislative Finance Committee Report on the New Mexico Workforce System. I want to begin by thanking the LFC staff for their strong effort and professionalism, and the Department of Workforce Solutions team for the data and expertise they contributed to this analysis.

The Report is a good starting point for a productive dialogue about the workforce system. It highlights the inherent tensions we face every day – how do we achieve strong performance with flat funding and while bringing the hardest-to-reach New Mexicans into the workforce? We support a majority of the recommendations, many of which were already part of the goals and strategies set forth in the 2024-27 Workforce Innovation and Opportunity Act (WIOA) State Plan, prepared last year. We also note where we disagree with findings or recommendations. This letter also highlights the areas where we are not funded to undertake activities that we agree would be beneficial. In summary:

- The Department appreciates and agrees with the analysis of New Mexico’s Labor Force Participation Rate and background on the workforce system, aside from the omission of recent positive trends.
- Because of its scope, the Report does not capture the critical role that Workforce Connection Centers play in their communities, especially in rural areas.
- The Department appreciates and agrees with the quantitative analysis of WIOA programs and the need for changes, but notes structural barriers to improvement and a lack of consensus on what those changes should be.
- The Department agrees with the quantitative analysis of certain aspects of TANF work programs, but disagrees with the premise that subsidized employment is the most important aspect of the TANF work programs. A more critical indicator is unsubsidized employment, which is the key to being able to achieve independence from the TANF program. In this area, DWS has had more success than its predecessor.
- The Department agrees with the quantitative analysis of RESEA, but disagrees on the conclusions as to effectiveness, which do not take into account the barriers of the populations being served.

AN EQUAL OPPORTUNITY EMPLOYER

The Department agrees with most of the Report’s recommendations, despite the lack of funding for some initiatives.

The Department agrees with the following recommendations, and notes here where the recommendation is already captured in the WIOA State Plan (2024-2027) or is otherwise part of the Department’s existing plans. These “consensus recommendations” are sorted to highlight the areas in which a lack of funding represents a barrier to implementation.

Consensus Recommendations, Organized by Status and Funding

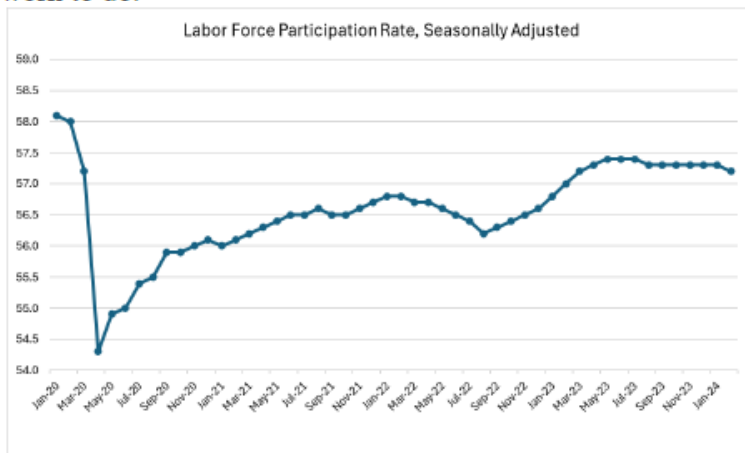
Page	Recommendation	Already underway?	Does DWS have funding for this?
2, 29	Track a control group of Unemployment Insurance (UI) claimants to better evaluate the outcomes of its Reemployment Services and Employment Assessment (RESEA) programs	No	No
33	Implement a study focused on the granular characteristics of New Mexico’s disengaged population to foster targeted programming and policy solutions	No	No
2, 29	Revise its operating model for the New Mexico Works program to incorporate the evidence-based practices of providing education, training, and support services for all recipients	No	Unsure
2, 29	Implement the Aligned Case Management Institute’s proposed unified, closed-loop UPin referral platform in 2025	Yes, in progress	No, planning funded but not implementation
33	Tighten integration with EDD following models of states with high-performing workforce development	Yes, in progress	Partial, integration is funded but implementation of new models is not
29	Fully inventory all governmental programs functioning as part of the workforce development system to encompass economic development, education, social services, employment services, and employment development. Ideally, this inventory should be completed before any new programs are built or new partnerships outside of the federally mandated ones are implemented;	Yes, largely completed as part of WIOA State Plan	Partial, not funded to create a central hub with these resources
29	Implement newer evidence-based strategies as part of their RESEA case management design	Yes	Yes
29	Set concrete, quantitative intermediary goals for improvement of the New Mexico Works programs, with a focus on Career Link	Yes, done	Yes
2	Work with the Health Care Authority to bolster New Mexico Works performance by courting high-wage employers as Career Link partners and adding additional wraparound supports to the program	Yes, in consultation with HCA	Yes

Page	Recommendation	Already underway?	Does DWS have funding for this?
2	Set concrete, quantitative intermediary goals for improvement of the New Mexico Works programs, with a focus on Career Link	Yes, in consultation with HCA	Yes
2	Consider co-locating workforce connection center staff with important local partners such as community colleges or offices of the Health Care Authority’s Income Support Division	Yes, in progress	Yes
2	Implement newer evidence-based strategies as part of their RESEA case management design	Yes, in progress	Yes
29	Work with the Health Care Authority to bolster New Mexico Works performance by courting high-wage employers as Career Link partners and adding additional wraparound supports to the program	Yes, in progress	Yes

The Department appreciates the analysis of New Mexico’s Labor Force Participation Rate and background on the workforce system, despite the omission of recent positive trends.

DWS has had an ongoing dialogue with the LFC for at least two years regarding the state’s low labor force participation rate, and this section of the report both echoed our analysis and provided new insight into difficult-to-reach populations. The Department appreciates that the Report highlighted the labor force participation rate for women with children under six years of age, which has now surpassed the national rate (p. 4). This is worth emphasizing because of the correlation with the massive expansion of early childhood care and education.

The Report did not discuss the steady increase in the LFPR that has occurred since our presentation on plans to increase LFPR in fall 2022. This increase coincides with the workforce system’s greater focus on using evidence-based practices to reach populations with more barriers. We note that other legislatures, like Louisiana, have set a goal for their workforce department of increasing LFPR by one percentage point. We have already achieved that, but there is more work to do.



We appreciate the recognition of the workforce system’s extensive efforts to reach more of the disengaged population through programs and partnerships (p. 6). The Report also recognizes that the Department’s new WIOA plan emphasizes the need to reach more of New Mexico’s disengaged population, including the tertiary labor sector (p.10).

The analysis of referral mechanisms (p. 9) inspired us to consider whether more mandatory referrals from other programs might be a good way to engage non-participants. The Department intends to pursue this idea further with other agencies and organizations that might make those referrals.

We also have two small technical notes. First, as stated in the footnote to Figure 2, those figures are inclusive of the incarcerated population and people with disabilities. We caution against using those numbers as a roadmap for engagement, for the methodological reasons clearly stated in the Report. Second, we note that the Department did receive three-year funding in the FY25 budget to continue the youth initiatives described on page 12. We hope the data from that period will justify sustained funding.

Partly because of its scope, the Report does not capture the critical role that Workforce Connection Centers play in their communities, especially in rural areas.

The Department strongly disagrees with the report’s characterization of the Workforce Connection Centers (WCC). Furthermore, the Department disagrees with the notion that we should shift to serving more customers online, especially given the problems in broadband access and digital literacy that face our families and businesses. That said, the WIOA State Plan identified innovation and collaboration to contain WCC costs as a high-priority alignment strategy. Rather than closing and consolidating WCCs, our vision is to modernize, strengthen, and improve the efficiency of these vital spaces.

The Department acknowledges that it would be easier and cheaper to follow other states that have transitioned to more online services targeted at a more sophisticated population (p. 13). This shift would probably improve our outcomes as well. However, we do not believe it is in the best interests of the state to withdraw from the rural communities and disadvantaged individuals who rely on the WCCs.

Because of the understandable limitations on the scope, the Report does not discuss a number of advantages of the One Stop Shop model:

- Workforce Connection Centers are New Mexico’s name for the federally mandated American Job Centers, which are commonly known as one-stop-shops. At most WCCs, participants can connect to DVR, Veterans’ services, and youth programs in one location. While the Report acknowledges the strengths of co-location (p. 16), it does not connect those strengths to the WCC model that is inherently a co-location of WIOA Titles I (adult, youth and dislocated workers), Title III (Wagner-Peyser), and Title IV (DVR).
- The pre-apprenticeship program, which has served 550 youths and hundreds of employers to date, operated in many cases from a WCC. Because the Legislature did not

fund a continuation of the Department’s high school career consultants, all pre-apprenticeship work moving forward will occur in the WCCs.

- WCCs in the Central, Eastern and Southwestern regions also house apprenticeship specialists. These staff are a critical part of outreach to employers, program sponsors, and potential apprentices, especially in light of the Legislature’s creation of the Workforce Training and Apprenticeship Fund last year. These staff and their grounding in local communities has also been a key piece of several pending federal grants related to apprenticeship.
- Twenty-three of the WCCs now have staff trained to assist with unemployment insurance claims and taxes, which has been a tremendous resource for businesses and a direct pathway from UI to re-employment.
- Staff from the H1-A, H1-B, and Migrant and Seasonal Farmworker Programs are co-located at the WCCs in Deming, Las Cruces and Clovis.

Most importantly, the scope of the Report did not include any type of business services, but those are a critical piece of what occurs in the WCCs. The Department has 19 business representatives statewide, who served 7,215 businesses in FY23 and 6,337 businesses in FY24 to date. Over 80% of those services were delivered through the WCCs. In addition, DVR business representatives may operate from a WCC. Having a physical presence in the community, especially outside of the Rio Grande corridor, is tremendously important for providing services to businesses that include hiring events, candidate screening, and connections to incentives. None of the employers receiving business services are reflected in the “distinct user” data (p. 14). A summary of these activities is in the table below, which does not include business services provided in the DWS Headquarters or other non-WCC locations, or by DVR.

Employers Served in a WCC, FY24 to date (Total = 5,347)

City	Employers Served in a WCC	City	Employers Served in a WCC
Alamogordo	214	Los Alamos	6
Albuquerque	1282	Los Lunas	139
Artesia	158	Moriarty	40
Carlsbad	246	Raton	40
Clovis	386	Rio Rancho	369
Deming	247	Roswell	325
Espanola	163	Ruidoso	52
Farmington	204	Santa Fe	470
Gallup	99	Silver City	93
Grants	36	Socorro	17
Hobbs	192	Sunland Park	54
Las Cruces	654	T or C	66
Las Vegas	96	Taos	226

The Department acknowledges that WCC job seeker intake numbers are still recovering from the pandemic, but initial survey results suggest we are trending in the right direction. The Report discusses a customer satisfaction study from last year, which the Department conducted to identify areas for improvement (p. 16). The team is still working on the report of this year's survey, but the data suggest marked improvement. The overall level of satisfaction increased to more than 71 percent of respondents being at least somewhat satisfied with their service.

On a technical note, the discussion on pages 14-15 of declining numbers in San Juan County is not quite accurate. The report states, "The San Juan County WCC helped only 277 individuals," but the rest of the paragraph is correct in stating that the numbers referenced are only *exits* from the Wagner-Peyser program. This is not the number of people helped in the WCC, or even by Wagner-Peyser. This inaccuracy is worth noting because the Energy Transition Act Displaced Worker Assistance Program operated out of the San Juan County WCC, and that program alone served 590 individuals in 2023 and 2024. None of this detracts from the overall message that Wagner-Peyser numbers have fallen overall, which is a challenge that is discussed in more detail below. However, it does highlight the value that WCCs bring by having an established presence in the community.

The Department agrees on the potential savings and synergy that comes from co-locating offices. Other examples of co-location not in the Report include:

- WCC Farmington- co-located with San Juan College
- WCC Grants- co-located at the HSD office
- WCC Ruidoso-co-located at ENMU - Ruidoso
- Albuquerque-DWS career consultant located at SIPI
- Albuquerque-DWS TANF VT co-located at CNM
- Santa Fe – DWS TANF VT co-located at Santa Fe Community College
- Los Lunas – DWS TANF VT co-located at UNM Valencia

The Department agrees that we should prioritize safety when making renovations. In fact, 100% of state capital and federal funds invested in the WCCs in State Fiscal Year 2023 and 2024 (YTD) have been for safety measures, including improving access for people with disabilities, emergency repair or replacement of HVAC systems, and repair or replacement of fire suppression and security systems. The Department coordinates with the General Services Department to prioritize these repairs. To the extent that previously identified, telecommunication, and other documented issues have not been addressed (see Appendix K), the cause is a lack of funding.

The Department appreciates and agrees with the quantitative analysis of the Wagner-Peyser program and the need for changes to the model, despite a lack of consensus on what those changes should be and structural barriers to improvement.

There is no question that the Department has work to do to improve the outcomes under WIOA generally, and the Wagner-Peyser program in particular (pp. 13-15). Wagner-Peyser is intended to be the "big front door" to the workforce system, but it has not historically functioned that way

in New Mexico. The low participation numbers that the Report highlights are a result of the unfortunate way in which the WIOA system evolved in New Mexico.

As the Report notes, part of the problem is the fragmentation of the local workforce boards, which are currently mandated under federal law (pp. 18-19). Although the Department examined local board realignment strategies in 2022 (Appendix Q), there was no consensus on any particular proposed change of course. Under the current system, the Department struggles to mandate uniform procedures, such as beginning all intakes with Wagner-Peyser as the “big front door,” which are in place in most states with better numbers.

New Mexico has been working with other states in our region who more effectively utilize Wagner-Peyser as a common point of entry, and who generally have much stronger integration and alignment among programs. Some, like Texas, receive considerable additional funding from both the state and the federal government. Others have found that greater integration is possible without multiple local boards. Utah is the model of an integrated workforce system, and it functions under a “single-state model,” grandfathered in from the pre-WIOA era. Utah has no local workforce development boards. According to these states, the single-state model has eliminated the significant discrepancies among the local boards on issues like intake and co-enrollment, while decreasing duplication of administrative costs. They also report that a single-state model can continue to reflect differences in the economy and workforce in regions across the state, through the WCCs and inclusive governance strategies. The current draft of the WIOA reauthorization legislation in Congress would allow states to opt into a single-state model. Because this was not an option under the current law, the previous analysis of changes to the local system did not include this option. If WIOA allows a single-state option in the future, it would be worthwhile to evaluate the strengths and weaknesses of that model.

Another structural barrier to improvement is the federal performance measure system. Federal metrics discourage wide outreach through overutilization of percentage-based measures, and underemphasis of reaching more people who may need more time to achieve good outcomes. The Department has been in dialogue with a variety of federal agencies about opportunities to reimagine what metrics for success should look like.

Much of the work we have identified in the WIOA State Plan to align the WIOA programs will help with Wagner-Peyser performance and customer service. These include Alignment Strategy 1, to improve communication and collaboration among core and Combined State Plan program partners, and Alignment Strategy 4, to implement an aligned case management system across people, process, and technology to streamline and improve delivery of services. Each of these strategies has several initiatives associated with it.

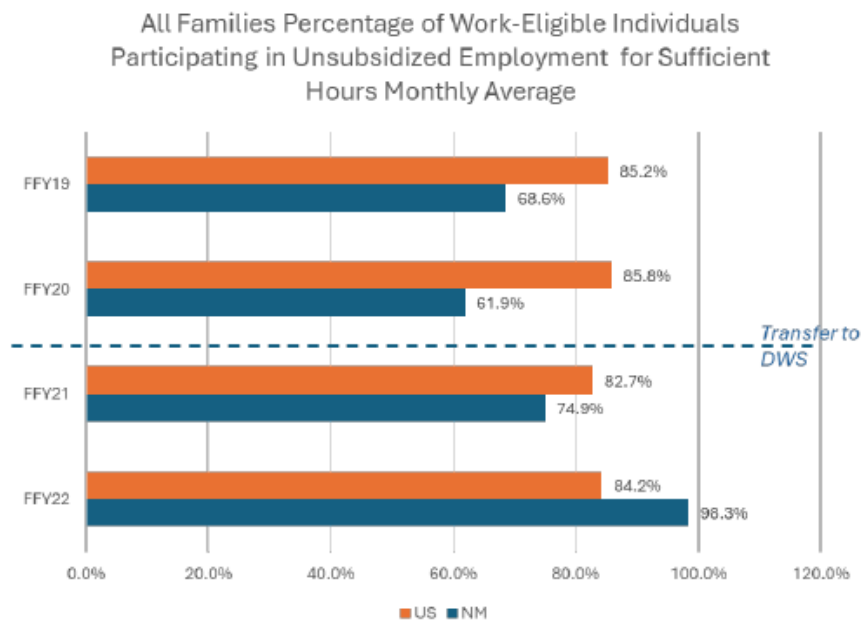
The Department agrees with the quantitative analysis of certain aspects of the TANF programs, but disagrees with the premise that subsidized employment is the most important aspect of the TANF work programs. A more critical indicator is unsubsidized employment, which is the key to being able to achieve independence from the TANF program. In this area, DWS has had success.

The Department agrees with and is already working on the concerns regarding participation in the subsidized work programs, Wage Subsidy and Career Link. Most of the other information and suggestions in the Report came from the corrective action plan that the Department had previously submitted to the Health Care Authority (p. 22). The Department is currently engaged in an outreach campaign to encourage more employers to participate in these programs.

The Report also did not acknowledge the fact that, as was acknowledged for RESEA, TANF work programs became optional during the pandemic. This coincided with DWS’s assumption of the program.

We appreciate the recognition of the Aligned Case Management program (pp. 24-25), but implementation is not funded. Meeting a calendar target without funding is not feasible. The Department won a competitive process to participate in the Aligned Case Management Institute, which should give us a realistic sense of one-time costs for system alignment.

The Department disagrees with the premise that one should evaluate the success of the TANF work programs based on the subsidized employment numbers alone. While subsidized employment is a great opportunity, it ends. The chart on the following page, based on data published by the federal Office of Family Assistance, illustrates the percentage of all families who participated in *unsubsidized* employment for enough hours to meet the TANF work requirements. The participants represented by this table are engaged in ordinary jobs. The chart shows that when the Department took over the program from the out-of-state contractor, we reversed the downward trend in unsubsidized employment. That rate now exceeds the US average rate.



The Department appreciates and agrees with the quantitative analysis of RESEA, but the conclusions as to effectiveness do not reflect the populations being served.

The Report states that outcomes for RESEA recipients “tend to follow trends within the wider population receiving unemployment insurance” (p. 26). This is empirically true. Contrary to the suggestions in the Report, this is an indicator of success. RESEA targets those who are likely to exhaust unemployment benefits – in other words, it helps the hardest to help. To bring that population up to the par of the general population is a good achievement.

The Department is always seeking to incorporate evidence-based practices for improvement and has already implemented some of the suggestions that the Report suggests, including those on Table 8 (p. 27).

Finally, the Department acknowledges the recommendations regarding larger system issues. We are always working to improve partnerships and collaboration. We defer to the expertise of the Taxation & Revenue Department with respect to the recommendations regarding tax credits.

We appreciate the opportunity to provide a detailed response, and we look forward to the discussion at the upcoming LFC meeting.

Best regards,



Sarita Nair
Cabinet Secretary

Appendix A: Scope & Methodology

Evaluation Objectives.

- Review workforce program impact, assessment, and alignment with evidenced-based practices;
- Evaluate WSD's efficacy in coordinating basic career services, training and education programs, and employer needs;
- Recommend specific investments and strategies to bring New Mexico's labor force participation rate in line with national averages.

Scope and Methodology.

- Interviewed state officials, including WSD leadership, Secretary Nair, and staff in 13 of 26 Workforce connections centers.
- Met with state collaborative groups and funders, including the New Mexico Chamber of Commerce and members of local workforce development boards and the state workforce development board.
- Reviewed state and federal laws, regulations, and policies on workforce, particularly those focused on Title III (Wagner-Peyser) of the Workforce Innovation and Opportunity Act.
- Reviewed WSD's strategic plans, contracts, policies and procedures and other administrative documentation.
- Analyzed performance data provided by WSD and by the Health Care Authority .
- Reviewed empirical research and best practices from academic journals and nonpartisan research organizations.

Evaluation Team.

Dr. Allegra E. Hernandez, Project Lead, Program Evaluator

Dr. Sarah Rovang, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conference. The contents of this report were discussed with Secretary Nair on April 5, 2024.

Report Distribution. This report is intended for the information of the Office of the Governor, Department of Finance and Administration, Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Micaela Fischer

Deputy Director for Program Evaluation

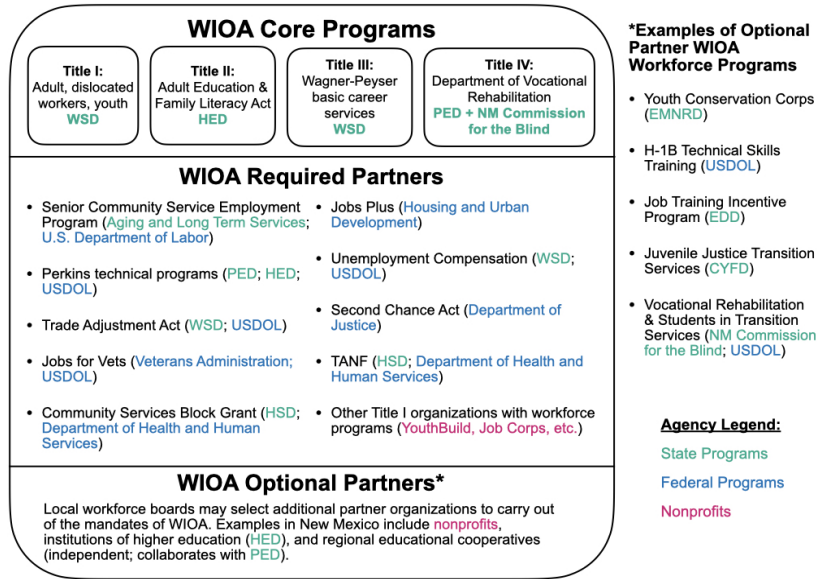
Appendix B: Workforce Legislation & Evaluation Timeline

Timeline of Major New Mexico Workforce Legislation and Performance Evaluation

Year	Event	Description
1917	Smith-Hughes Act	First authorization for the federal funding of vocational education.
1933	Wagner-Peyser Act	Established a nationwide system of public employment offices.
1964	Economic Opportunity Act/Adult Education Act	Title II B created first Adult basic Education program as a state grant, focusing on increasing adult literacy skills.
1984	Carl D. Perkins Vocational and Applied Technology Education Act	The purpose of the Act is to develop more fully the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career and technical education programs. Reauthorized three times with various updates, the latest version requires "programs of study" that link academic and technical content across secondary and post and strengthens local accountability provisions for continuous program improvement.
2006	Carl D. Perkins Career and Technical Education Improvement Act (Perkins 4)	
1998	Workforce Development Act	Workforce Development Act enacted to implement the WIA in New Mexico (Section 50-14-1 through 50-14-15 NMSA 1978). Workforce Investment Act areas designated October 28, 1999: Central, Eastern, Northern, Southwestern.
2003	LFC Performance Audit	A review of New Mexico's Implementation of the Federal Workforce Investment Act of 1998 identified the need for a single, coordinating agency to more effectively implement the WIA reforms.
2004	Office of Workforce Training and Development (Exec. Order)	Governor Richardson created the Office of Workforce Training and Development (OWTD) by executive order to administer the WIA, oversee the four local workforce investment boards, coordinate with agencies' employment and training programs to expand one-stop centers, and monitor performance of the workforce system.
2005	Office of Workforce Training and Development (Statute)	Legislature established the OWTD in statute.
2006	LFC Performance Review	LFC Performance Review, Review of the New Mexico Works Program and Workforce Development System Integration, found the state and OWTD had implemented 91 percent of the 2003 LFC report recommendations but "more improvements are needed to fulfill statutory goals." A legislative study to review consolidating workforce development programs into a single new department was recommended.
2007	Workforce Solutions Department	Section 9-26-1 through 9-26-15 NMSA 1978 (Workforce Solutions Department Act). Legislature abolishes OWTD and merges it with the Labor Department to form the current Workforce Solutions Department.
2008	LFC Performance Evaluation	LFC Performance Evaluation, Workforce Solutions Department Performance Accountability Evaluation, found WSD had made progress on many initiatives but recommended developing a comprehensive state strategic plan, adding targeted performance measures, and enforcing timely submittal of local board's independent audits.
2014	Workforce Innovation and Opportunities Act	Federal Workforce Innovation and Opportunity Act (WIOA) enacted, reforming activities previously conducted pursuant to the WIA and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act.
2015	WIOA functions designated to WSD.	Executive Order 2015-012 designates the Workforce Solutions Department as the administrative agency for performing functions associated with the WIOA and maintains the State Workforce Development Board.
2016	LFC Program Evaluation of WSD	LFC's report, <i>WIA Job Training and Employment Programs – Service Outcomes, Cost Effectiveness, and Coordination with the State</i> , found that New Mexico's workforce development system remains fragmented and that youth programs in particular lagged national averages in cost-effectiveness and performance.
2020	LFC Policy Spotlight on Workforce Development	LFC's spotlight, <i>Workforce Development Post COVID-19 Pandemic</i> , identified unprecedented job loss due to the pandemic, under-investment in evidence-backed workforce strategies, and continued underperformance of youth development programs.
2021	WSD enters LegisStat Process	WSD, along with Tourism and EDD, enter the pilot cohort of LegisStat agencies.
2022	LFC Program Evaluation: JTIP and LEDA	LFC's Program Evaluation, <i>Impacts of Past Local Economic Development Act and Job Incentive Training Program Investments</i> , finds that investments in JTIP are routinely underutilized while creating fewer jobs than promised.
2022-23	WSD & EDD continue in Legislat.	WSD and EDD continue LegisStat briefings; Tourism was met performance metrics and was released. WSD's most recent LegisStat briefing was in September 2023.

Legend: blue = federal; green = state, orange = LFC
Source: LFC Files and Analysis

Appendix C: Organization of WIOA Core Partners



Source: LFC analysis of 11.2.5.9 NMAC - N, 7/1/2018c

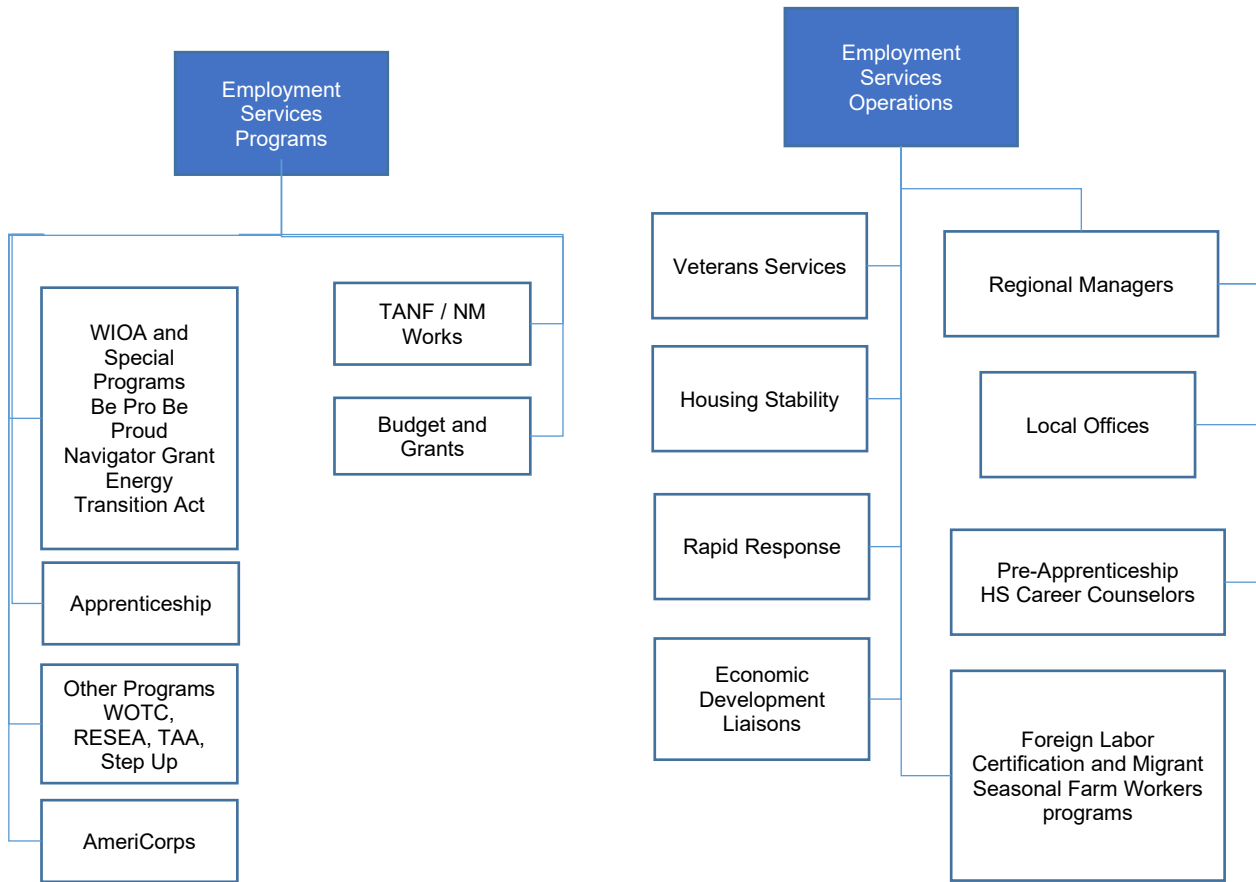
Appendix D: Complete WIOA Title I Eligibility Requirements

Fund	Age & Other	Work Status	Selective Service	Low Income
WIOA Adult	18 years or older	Authorized to work in U.S.	If male, registered as required	<p>Family income at or below 100% of poverty line or 70% lower living standard or is at or below 200% of poverty line when funds are available.</p> <p>Income test not required if customer meets one of the following criteria:</p> <ol style="list-style-type: none"> 1. Customer receives or is a member of a family that receives (currently or in the past six months) one of the following: TANF, SNAP, SSI, or other public assistance; or 2. Is a Foster Child; or 3. Is Homeless; or 4. Receives or is eligible to receive free or reduced-price lunch; or 5. Is Deficient in Basic Skills <p>Note: customer with a disability must be determined a family of one for income determination purpose if the customer's family does not meet the income test and 1 through 5 above do not apply.</p>
WIOA Dislocated Worker	There is no age limit.	<p>Authorized to work in U.S., and</p> <ol style="list-style-type: none"> 1. Terminated or laid off, eligible for or exhausted UI and unlikely to return to industry or occupation; <u>or</u> 2. Lost job from permanent closure or substantial layoff of a plant, facility or enterprise; <u>or</u> 3. Was self-employed and now unemployed because of economic conditions or natural disaster; <u>or</u> 4. Displaced Homemaker; <u>or</u> 5. Spouse of a member of Armed Forces who lost employment due to permanent change in duty station or is unemployed, underemployed and has difficulty finding or upgrading employment 	If male, registered as required	Income test not required for eligibility or service.

Fund	Age & Other	Work Status	Selective Service	Low Income
WIOA In-School Youth	<p>A. 14-21 years old at eligibility determination, <u>and</u></p> <p>B. Attending or enrolled in secondary or for-credit postsecondary school at eligibility determination, <u>and</u></p> <p>C. Low-Income, <u>and</u></p> <p>D. At least one of the following apply</p> <ol style="list-style-type: none"> 1. Deficient in Basic Literacy Skills; <u>or</u> 2. Homeless, Runaway; <u>or</u> 3. In foster care or aged out of foster care; <u>or</u> 4. Pregnant/Parenting; <u>or</u> 5. Offender; <u>or</u> 6. Has a disability; <u>or</u> 7. An English language learner who is deficient in Basic Literacy Skills. 	Authorized to work in U.S.	If male, registered as required	<p>Family income at or below 100% of poverty line or 70% lower living standard.</p> <p>Income test not required if customer meets one of the following criteria:</p> <ol style="list-style-type: none"> 1. Customer receives or is a member of a family that receives (currently or in the past six months) one of the following: TANF, SNAP, SSI, or other public assistance; <u>or</u> 2. Is a Foster Child; <u>or</u> 3. Is Homeless; <u>or</u> 4. Receives or is eligible to receive free or reduced-price lunch; <u>or</u> 5. Lives in a high poverty census tract. <p>Note: Customer with a disability must be determined a family of one for income determination purpose if the customer's family does not meet the income test and 1 through 5 above do not apply.</p>
WIOA Out-of-School Youth	<p>A. 16-24 years old at eligibility determination, <u>and</u></p> <p>B. Not attending or enrolled in secondary or for-credit postsecondary school at eligibility determination <u>and</u></p> <p>C. At least one of the following apply:</p> <ol style="list-style-type: none"> 1. School Dropout; <u>or</u> 2. Youth who (a) received HS Diploma/equivalent and (b) is low-income and (c) is Deficient in Basic Literacy Skills or is an English language learner; <u>or</u> 3. Required to attend school but has not attended for at least the most recent complete school year's calendar quarter'; <u>or</u> 4. Homeless or Runaway; <u>or</u> 5. In foster care or aged out of foster care; <u>or</u> 6. Pregnant/Parenting; <u>or</u> 7. Subject to the juvenile or adult justice system; <u>or</u> 8. Has a disability; <u>or</u> 9. Requires additional assistance to complete an educational program, or to secure and hold employment (must also meet low income requirements) 	Authorized to work in U.S.	If male, registered as required	<p>OSY customers can attend and/or be enrolled in a non-credit postsecondary school at eligibility determination.</p> <p>OSY customers 21-24 years old are not subject to in-school educational requirements.</p> <p>Low income required only if using C. 2. or C. 9. from "Age & Other" column</p> <p>A. Family income at or below 100% of poverty line or 70% lower living standard <u>or</u></p> <p>B. Meets one of the following criteria</p> <ol style="list-style-type: none"> 1. Customer receives or is a member of a family that receives (currently or in the past six months) one of the following: TANF, SNAP, SSI, or other public assistance; <u>or</u> 2. Foster Child; <u>or</u> 3. Homeless; <u>or</u> 4. Receives or is eligible to receive free or reduced-price lunch; <u>or</u> 5. Lives in a high poverty census tract. <p>Note: Customer with a disability must be considered family of one for income determination purposes if family income exceeds youth income criteria and 1-5 above do not apply.</p>

Source: Workforce Solutions WIOA Eligibility Desk Aid

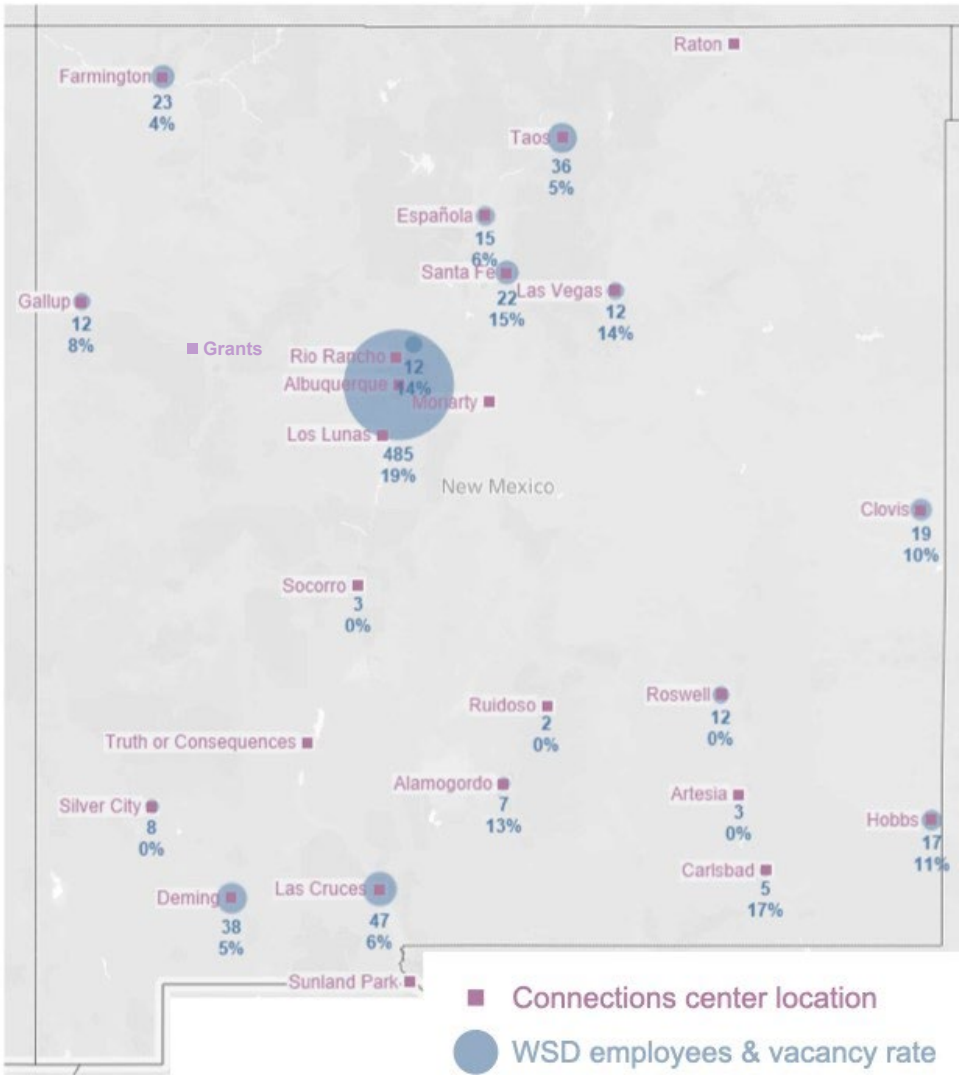
Appendix E: Workforce Solutions Department's Employee Services Department Organization



Source: WSD

Appendix F: Connections Center & WSD Employee Locations

Location of Workforce connections centers and WSD Employees with Vacancy Rates



Source: WSD and SPO data, December 2023.

Appendix G: WSD Agency Report Card FY24 Q2

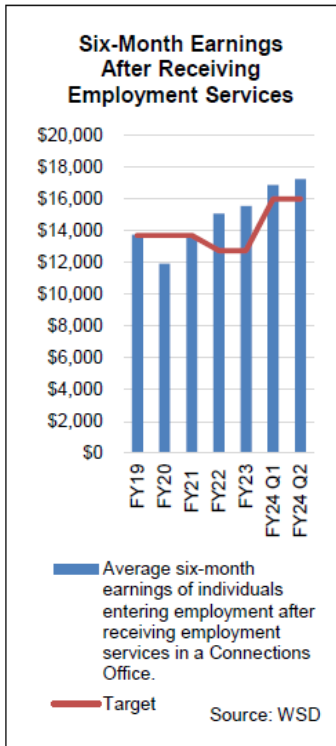


PERFORMANCE REPORT CARD Workforce Solutions Department Second Quarter, Fiscal Year 2024

Employment Services

The Employment Services Program plays a key role in addressing the low LFPR and is a central player in developing a plan to bring more working-age adults into the labor force. The program oversees the state’s network of Workforce Connections Offices and operates several programs related to the federal Workforce Innovation and Opportunities Act (WIOA). The department has not met measures related to veteran employment for several years and reports the department believes outcomes are better than reported because Workforce Solutions data systems do not include federal employees, and many veterans gain employment with the federal government due to hiring preferences. While several job-related outcomes associated with employment services programs have improved, such as the six-month earnings following the receipt of employment services or employment retention six months after receiving services, the number of individuals accessing services is lower than prepandemic levels. To increase the state’s labor force participation, WSD will need to find ways to reach people who are not coming into their offices.

WSD has increased the number of participants in registered apprenticeship programs, a pathway to increasing workforce participation in the trades, exceeding the agency’s target.



Budget: \$32,756.4 FTE: 368	FY22 Actual	FY23 Actual	FY24 Target	FY24 Q1	FY24 Q2	FY24 Q3	Rating
Adults							
Average six-month earning of individuals entering employment after receiving employment services in a Connections Office	\$15,076	\$15,547	\$16,000	\$16,874	\$17,254		G
Individuals receiving employment services in a Workforce Connections Office	60,116	50,041	25,000 per quarter	16,293	15,562		R
Individuals accessing the agency’s online Job Seeking portal	106,659	63,024	125,000	22,125	18,339		R
Unemployed individuals employed after receiving employment services in a Workforce Connections Office	51%	61%	60%	61%	66%		G
Unemployed individuals who have received employment services in a Workforce Connections Office, retaining employment after six months	54%	63%	60%	54%	67%		G
Average change in six-month earnings of working individuals after receiving employment services in a Workforce Connections Office	\$2,032	\$4,616	\$2,000	\$2,789	\$2,000		G
Audited apprenticeship programs deemed compliant	50%	66%	75%	75%	NA*		R
Apprentices registered and in training	1,883	2,273	2,000	2,567	2,594		G
Veterans							
Average six-month earnings of unemployed veterans after receiving employment services in a Workforce Connections Office	\$18,801	\$19,323	\$19,000	\$17,040	\$18,945		G
Recently separated veterans entering employment	48%	51%	60%	49%	53%		Y
Unemployed disabled veterans entering employment after receiving	46%	50%	60%	49%	59%		Y



PERFORMANCE REPORT CARD
Workforce Solutions Department
Second Quarter, Fiscal Year 2024

employment services in a Workforce
Connections Office

Recently separated veterans retaining
employment after six months 47% 51% 60% 50% 46%

Program Rating

G

Y

R

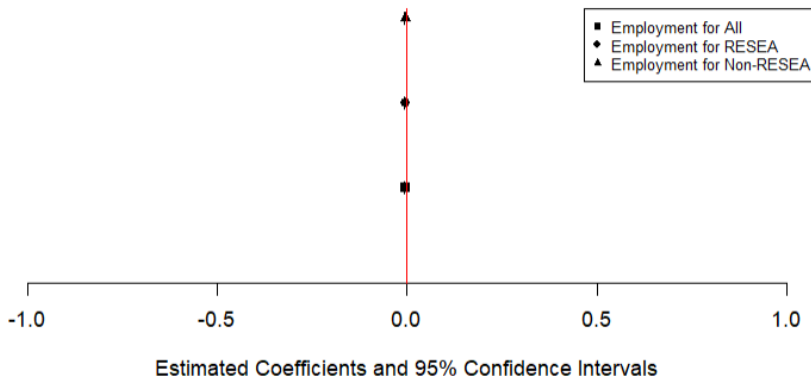
Y

*WSD reported no audits were conducted in Q2 because of staff turnover

Appendix H: Probability of Finding Employment if Went to WCC

Analysis was completed using the MatchIt program in R. Employment was set as the outcome. The control group was those who were on UI but did not go to a WCC. The group of interest were individuals who received UI but did go to a WCC to find employment. The two groups were “matched,” meaning that when an individual who did not go to a WCC had the same characteristics as someone who did go to a WCC, they were put together to see if their outcomes were any different. In this case, as evidenced by the chart below, there was no difference in individuals who did go to a WCC and those who did not when it comes to finding employment. The groups were further broken down into a group that received RESEA and a group that did not receive RESEA. The results held for all three groups.

Probability of Finding Employment if Went to WCC



Analysis utilizes data from 2018. Later data is available from 2021. However, in 2021, RESEA was not mandatory due to the COVID-19 pandemic.

Appendix I: MIT Living Wage Calculator for New Mexico

	1 ADULT				2 ADULTS (1 WORKING)			
	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children	3 Children
Living Wage	\$16.07	\$32.99	\$42.03	\$55.22	\$26.43	\$32.72	\$37.82	\$42.39
Poverty Wage	\$6.53	\$8.80	\$11.07	\$13.34	\$8.80	\$11.07	\$13.34	\$15.61
Minimum Wage	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00

Source: MIT Living Wage Calculator <https://livingwage.mit.edu/states/35>

Appendix J: Workforce Connection Center Costs

To calculate the amount of federal Wagner-Peyser funds devoted to the operation of the Workforce Connection Centers, LFC staff used financial data provided by WSD spanning from April 2023 through January 2024. Data provided included information about salary, benefits, contractual services, travel & transportation, maintenance, supplies, and other operating costs. Note that these costs do not include costs incurred by local workforce development boards (operating WIOA Title I) or other partners within the space. As a result, the estimates resulting from this calculation are incomplete.



Methodology:





Assuming a hypothetical workforce connections center that spent \$80,000 for the months represented in the data set, the annual cost would be estimated as follows:

Box A: Total Costs Represented in Data Set	Box B: Months of Complete Data Available	Box C: Divide A by B to get monthly cost	Box D: Multiply C by 12 to get estimated annual cost
\$80,000	8	\$10,000	\$120,000

Appendix K: Workforce Connection Center Facility Issues

Workforce Connection Center facility issues LFC staff flagged as potential safety hazards, February 2024

Location	Cause	Potential Safety Risk	Image
Alamogordo	Pine needles from three nearby trees are collecting on the roof.	Needles are creating a heavy, high-moisture mass on the roof that a previous plumbing contractor warned may lead to an eventual cave-in. FY25 outlay request amount: \$14,000 for landscape, sidewalk, and parking lot improvements	
Alamogordo	Back steps are not up to code and railroad tie edging protrudes a few inches from the sidewalk.	Manager reports that multiple staff members have tripped and fallen. FY25 outlay request amount: \$14,000 for landscape, sidewalk, and parking lot improvements	
Alamogordo	The parking lot does not drain after precipitation leading to ice and flooding. Pine needles are clogging gutters, intensifying this effect.	Staff members have a jerry-rigged solution involving jumping onto a concrete block to cross the area of worst flooding, creating further fall risks. FY25 outlay request amount: \$14,000 for landscape, sidewalk, and parking lot improvements	
Alamogordo	The original single-pane windows on the southern facade creates a greenhouse effect that renders the environment unlivable for some employees. Staff report that the air conditioning ices over frequently during summer as it tries to compensate for the blistering interior temperatures.	Staff report the southern reaches of the office being unbearable during summer. Despite bringing in their own fans and taping aluminum foil to the windows, this part of the office was already uncomfortably warm in February. Staff and clients risk heat-related illness. FY25 outlay request amount: \$48,000 for window replacements	

Location	Cause	Potential Safety Risk	Image
Artesia	Lack of potable water in the office.	Staff and client dehydration, especially during summer months. FY25 outlay request amount: \$150,000 for HVAC \$58,000 for public and staff restroom repairs and remodel	
Artesia	The outdated and uncovered electrical system panel is located in a janitor's closet with a sink that suffers from humidity issues. The electrical outlet in this closet does not function.	Potential electric shock. Staff have had to run extension cords through this area if they need electricity in the rear of the office. FY25 outlay request amount: \$60,000 for network re-cable/patch panel	
Carlsbad	Lack of potable water in the office and non-functioning water fountains.	Staff and client dehydration, especially during summer months. FY25 outlay request amount: \$156,000 for public and staff restroom repairs and remodel	
Carlsbad	Staff doors at the rear and side of the building do not work.	Prevents rear egress in the event of fire. FY25 outlay request amount: Unlisted, security fencing quoted at \$120,000	

Source: WSD Capital Outlay Request FY25 and LFC fieldwork, February 19-21, 2024.

Appendix L: WCC Recertification Form

Workforce Guidance Letter: WSD 16-002

Subject: One-Stop Certification

Date: January 10, 2017

To be certified, the one-stop centers and one-stop delivery system must meet or exceed standards established for each of the following areas.

Focus Area	Criteria	Evidence to Support Criteria
Effectiveness	<ul style="list-style-type: none"> • How well does the one-stop integrate available services for participants and businesses? (Including, but not limited to, job training programs offered through community colleges and other public and private institutions, registered apprenticeships, adult education, on-the-job training, etc.) • How well does the one-stop meet the workforce needs of participants? • How well does the one-stop meet the employment needs of businesses? • Does evidence exist to demonstrate any cost efficiencies? • How well are services coordinated across programs? • Does evidence exist to support effective partnership development and implementation among partner programs and staff? • Does evidence exist to support effective and practical resolution to one-stop customer feedback? 	<ul style="list-style-type: none"> • Number of partner programs available at one-stop, and or participating through MOU. • Evidence of coordination activities with partner programs not co-located in one-stop. • Description of shared one-stop activities for all services to individuals, including targeted populations, such as youth, individuals with disabilities, individuals with low literacy levels, and older individuals. • Description of shared services available, i.e., shared case management, co-enrollment, referral processes, etc. among partners • Evidence of common performance measures, goals and outcomes among partners programs. • Evidence of coordinated partner and staff meetings demonstrating shared planning and decision making focused on performance. • Evidence of shared strategies among partners to meet business needs. • Evidence of cost efficiency strategies used to maximize funds for services. • Evidence of a customer survey process to measure satisfaction with services provided to job seekers and businesses. • Evidence of a partner input process enabling opportunity to rate satisfaction with collaboration, shared decision making and problem solving among partners.
Physical and Programmatic Accessibility	<ul style="list-style-type: none"> • How well does the one-stop ensure equal opportunity for individuals with disabilities to participate and benefit from program services? • What actions does the one-stop center take to comply with disability-related regulations, including: reasonable accommodations to provide for physical accessibility of the one-stop; and • reasonable modifications to policies, practices, and procedures, where necessary, to avoid discrimination against persons with disabilities? • Does evidence exist to demonstrate the administration of programs in the most integrated setting possible? • Does evidence exist to demonstrate communication with persons with disabilities and youth as effectively as with others? • How well does the one-stop meet the needs of other targeted groups, such as individuals with low literacy levels, older individuals, and others? • Does evidence exist to demonstrate the provision of auxiliary aids and services, including assistive technology devices and services? Does evidence exist to demonstrate the engagement of youth? How are youth services advertised and marketed? Is the one-stop center youth friendly and accessible? • Does evidence exist to demonstrate programmatic accessibility to remote areas using technology or other means? • How are customers living in remote areas engaged in one-stop services? • How effective is the one-stop delivery system in delivering extended hours of service delivery? 	<ul style="list-style-type: none"> • Evidence of developing awareness and capacity of partners and staff to engage effectively with individuals with disabilities and youth, i.e. training in ADA, and positive youth development and engagement. • Evidence of development and inclusion of specialized services and programs for individuals with disabilities, youth, individuals with low literacy levels, and older individuals. • Evidence of reasonable accommodations delivered to support inclusion of individuals with disabilities in training, job fairs, informational materials, and other activities available at the one-stop. • Evidence of changes to policies, procedures, and/or practices to include individuals with disabilities. • Evidence of the provision of auxiliary aids and services, including assistive technology devices and services. • Evidence of a satisfaction survey or process to obtain feedback from individuals with disabilities and youth. • Evidence of youth focused activities and resources directly used to conduct outreach and recruitment of youth and to link them to one-stop partners and programs. • Evidence of technology and other means used specifically to engage customers residing in remote areas? • Evidence of extended hours of service to meet the needs of customers?

<p>Continuous Quality Improvement</p>	<ul style="list-style-type: none"> • How well does the one-stop support the achievement of negotiated local performance levels for the local area? • Does evidence exist to demonstrate a regular process for identifying and responding to technical assistance needs of partners and staff? • Does evidence exist to demonstrate the provision of continuing professional development for partners and staff? • How well does the one-stop capture and use specific customer and business feedback to improve or modify system practices and services? 	<ul style="list-style-type: none"> • Description of each local onestop center's performance in relationship to entire regional system, i.e. number of customers and businesses impacted, types of services delivered, etc. • Description of each partner contribution to the overall performance of the local onestop, such as co-enrollments, referrals/follow-up, co-hosted events, etc. • Evidence of strategies used to identify best practices, improve partnership collaboration and to share decision making to identify and respond to technical assistance needs or activities to improve overall one-stop operational effectiveness. • Evidence of the provision of continuing professional development provided to program partners and staff. Description of continuous quality improvement strategies used to modify and improve system practices and services. • Description of the continuous quality improvement activities planned and/or implemented in collaboration with program partners and staff.
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Source: WSD

Appendix M: Results First Clearinghouse Workforce Development Program Inventory

Workforce Development Programs Impacting Employment from the Results First Clearinghouse

Program name	Program Type (Based on RF model)	RF rating color	Outcomes beyond Increased Employment	Available in NM?
Canadian Self-Sufficiency Project	Not included	Second-highest rated	Increased earnings, and family income, and reductions in poverty and welfare dependency	
Child care subsidies	Not included	Highest rated	Increased earnings	Yes
Earned Income Tax Credit (EITC)	Not included	Highest rated	Increased income, Improved birth outcomes	Yes
Minnesota Family Investment Program (MFIP)	Not included	Second-highest rated	Increased Earnings, and family income, and reductions in poverty and welfare dependency, increases in earnings, and reduction in poverty, for single-parent, long-term welfare recipients	
Nevada's Reemployment and Eligibility Assessment Program	Case Management for unemployment insurance recipients.	Highest rated	Increased income	Yes, as the federal RESEA program
New Hope Project	Combination of Case Management and job search with the addition of childcare subsidies.	Second-highest rated	Increased income, Increased earnings, Increased academic achievement	
Portland JOBS Training Program	Training with work experience for welfare recipients.	Second-highest rated	Increase in job earnings, reduction in welfare dependency, and savings to the government, at study follow-up five years after random assignment	
Riverside GAIN Program	Training with work experience for welfare recipients	Second-highest rated	Increase in job earnings, reduction in welfare dependency, and savings to the government, at study follow-up five years after random assignment.	
Sector-based workforce initiatives	Training no work experience	Second-highest rated	Increased employment, Increased earnings	
Summer youth employment programs	Work experience	Second-highest rated	Decreased crime, Decreased violence, and Increased earnings	Yes, but not statewide
The Los Angeles Jobs-First Greater Avenues for Independence (GAIN) Program	Training with work experience for welfare recipients	Second-highest rated	increased job earnings, reduction in welfare dependency, and savings to the government	
Transitional jobs	Work experience and sometimes training with work experience depending on how program is deployed	Highest rated	Increased earnings	
Youth Villages YVLifeSet	Not included	Second-highest rated	Improvements in Intimate Partner Violence, Mental Health - Other	

Note: Only the first and second highest rated programs with an improved employment outcome were included.

Source: Pew MacArthur Results First Clearinghouse

Appendix N: TANF Work Programs Best & Promising Practices

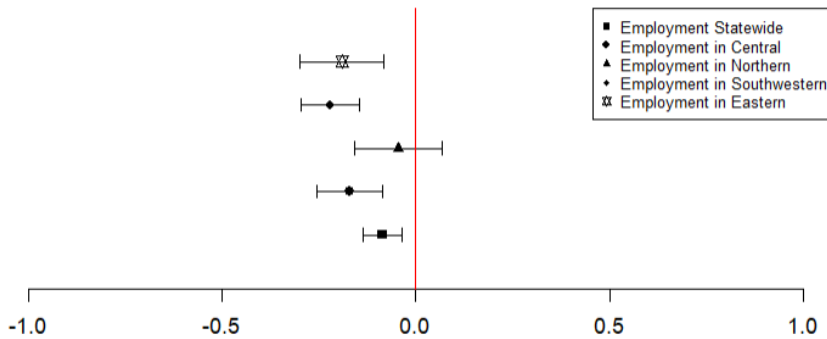
Practice	New Mexico Equivalent?	High-Performing Example	What made this program high-performing?
Subsidized Employment	Career Link Internship and Wage Subsidy Internships	STEP Forward Program, San Francisco, California	Focus on high-wage employers; intensive coaching and case management for participants not deemed job ready.
Sectoral Employment Programs	Health care partnerships (pull more info here)	Project Quality Employment through Skills Training (QUEST), San Antonio, Texas	Flexibility and reliability of financial support that could be used to cover tuition and other needs.
Offer Other Work Supports, Boost Co-Enrollment	Offered sporadically throughout the state; lack of closed-loop referral impacts co-enrollment prospects.	Work Advancement and Support Center; Bridgeport, Connecticut; Dayton, Ohio; and San Diego, California	Program combined career coaching, skills training, and work supports that included encouraging uptake of existing supports including SNAP and child care subsidies.
Provide Child Care	Offered in the form of stipends in a small selection of mostly urban programs.	Career Advance, Tulsa, Oklahoma	Provided child care and education to children of participants; 61 percent achieved a career credential within a year as compared to 4 percent in a control group.
Tuition Assistance; Tutoring and Academic Advising	Opportunity Scholarship provides free tuition.	Accelerated Study in Associate Program, New York, New York	Provided tuition, dedicated advisors and tutoring, and career services to full-time community college students.

Source: LFC analysis of Center For Budget and Policy Priorities Report

Appendix O: Probability of Finding Employment if Received RESEA in 2018

Analysis was completed using the MatchIt program in R. Employment was set as the outcome. The control group was those who were on UI but did not receive RESEA. The group of interest were individuals who received RESEA while on UI. The two groups were “matched,” meaning that when an individual who received RESEA and went to a WCC had the same characteristics as someone who did not go to a WCC and received RESEA, they were put together to see if their outcomes were any different. The matching was done statewide and then by board. In this case, as evidenced by the chart below, the results were mixed. For the best case (that of the Northern Board), individuals were no better off if they received RESEA than if they did not receive RESEA. In the other four cases, the individuals were worse off if they received RESEA than if they did not. As discussed in the main text, this is likely because individuals who receive RESEA are the most likely to exhaust their benefits.

Probability of Finding Employment if Received RESEA in 2018



Estimated Coefficients and 95% Confidence Intervals

Analysis utilizes data from 2018. Later data is available from 2021. However, in 2021, RESEA was not mandatory due to the COVID-19 pandemic.

WORKFORCE INNOVATION & OPPORTUNITY ACT (WIOA)

Please read this important eligibility and training/education information below:

The WIOA program is not an entitlement program, needing only a minimum of approval for enrollment. Approval for any training or education program at this point. This is only the beginning of the process.

WIOA training approval is a process that takes time. You and your Career Development Specialist will work together as a team to determine your specific career goals before your training program can be submitted for approval.

PLEASE DO NOT PAY FOR START OR ANY OTHER CLASSES AT ANY TIME AT ANY LOCATION UNTIL YOUR CAREER WIOA APPROVAL TO BEGIN YOUR TRAINING PROGRAM.

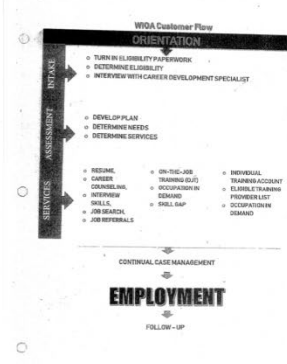
WHY?

WIOA cannot and will not reimburse you or your training provider for ANY training you pay for up front before you have been approved. Eligibility must be determined prior to enrollment. Please remember to ask questions throughout the process. Please read the entire document, provide you, take notes, and discuss with your Career Development Specialist. It takes a "very effort" and communication with you as part of that team effort, to seek approval for your training opportunity.

Thank you for your understanding and patience.

WIOA Staff

Page 7 of 7



New Mexico Workforce Connection

WIOA PARTICIPANT NOTIFICATION OF DRUG-FREE WORKPLACE

The following will inform you of New Mexico Local Workforce Development Board (LWD) policies, which are necessary for a complete list of drugs and alcohol as specified in the Federal Drug-Free Workplace Act of 1986.

In 2005 Congress passed the Drug-Free Workplace Act requiring agencies or organizations to certify that they will provide a drug-free workplace as a condition of receiving federal funds. The intent is to protect the federal interest in the workplace and to ensure that federal funds are used for their intended purpose. In addition, the DFWA requires service providers to have a zero-tolerance drug-free workplace policy.

The LWD is committed to providing a safe, healthy, and productive work and training environment for participants. The policy addresses the office drug and alcohol use only for an employee while working for the organization, whether during hours of paid participation, and WIOA/DFW responsibilities to provide safe and effective programs.

DISCIPLINARY: All participants (employees, interns or training providers) must comply with the policy regarding a drug-free work or training environment. All participants must report to work or training when in a condition that impairs their ability to perform their job or training duties.

It is unlawful and prohibited to manufacture, distribute, dispense, possess or use controlled substances on the premises of the workplace to which a participant is assigned. A participant's substance use on the premises of the workplace shall be reported to the appropriate authority. The participant will be removed and referred to appropriate treatment and rehabilitation programs.

ADDITIONAL: The policy does not apply to a participant providing and legitimately using legally prescribed medication. A doctor's prescription is required.

SI desea que se equipare esta información en español, contáctese con el personal de servicios al participante.

Northern Area Local Workforce Development Board

WIOA PARTICIPANT NOTIFICATION OF CIVIL RIGHTS AND COMPLAINT/GRIEVANCE RESOLUTION PROCEDURES INFORMATION SHEET

The following will inform you of your Civil Rights and Complaint/Grievance Procedures as provided by FEDERAL LAW.

In compliance with the Rehabilitation Act of 1973, the Americans with Disabilities Act, and other federal laws, the Board is required to provide information regarding the Board's policies, procedures, and grievance resolution procedures to all participants in the program. This information is provided to you for your information and to ensure that you are aware of the Board's policies and procedures.

DISCLAIMER: The Board does not discriminate on the basis of race, color, sex, age, religion, national origin, or disability in its programs, services, or activities. The Board's policies and procedures are designed to ensure that all participants have an equal opportunity to participate in the program.

ADDITIONAL: The Board is committed to providing a safe, healthy, and productive work and training environment for participants. The policy addresses the office drug and alcohol use only for an employee while working for the organization, whether during hours of paid participation, and WIOA/DFW responsibilities to provide safe and effective programs.

Northern Area Local Workforce Development Board

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Northern Area Local Workforce Development Board

FOLLOW-UP SERVICES INFORMATION SHEET

The WIOA staff provides follow-up services to participants.

Upon completion of your training program, New Mexico Workforce Connection staff will contact you to discuss your follow-up services. This information will also include a list of services and the location of the program.

Board may require additional services. Additional services are available to you as a condition of your participation in the program. These services include: job search assistance, resume writing, and job application assistance. Additional services include: job search assistance, resume writing, and job application assistance.

ADDITIONAL: The Board is committed to providing a safe, healthy, and productive work and training environment for participants. The policy addresses the office drug and alcohol use only for an employee while working for the organization, whether during hours of paid participation, and WIOA/DFW responsibilities to provide safe and effective programs.

Table of Contents:

1. Northern WIOA Adult & Dislocated Worker Check-off List
2. WIOA Participant Notification of Civil Rights and Complaint/Grievance Resolution Procedures Information Sheet*
3. Notice of Grievance Procedures*
4. Grievance Procedure
5. Acknowledgement Receipt of Grievance Procedure
6. Agency Intake & Eligibility Form
7. Staff Telephone/Document Review Form
8. Certification
9. Authorization for Release of Information & Photograph Release and Consent
10. A-DW Participant Agreement
11. A-DW Participant Agreement, continued
12. WCOS WIOA Application Data Verification Form
13. New Mexico Workforce Connection Center Self-Attestation Form
14. Participant Individual Employment Plan Guide (IEP)
15. WIOA Participant Notification of Drug-Free Workplace
16. Follow-Up Services Information Sheet*
17. Workforce Innovation & Opportunity Act (eligibility and training/education information)
18. WIOA Customer Flow
19. Notice of Grievance Procedures*
20. WIOA Participant Notification of Drug-Free Workplace
21. WIOA Participant Notification of Civil Rights and Complaint/Grievance Resolution Procedures Information Sheet*
22. Follow-Up Services Information Sheet*

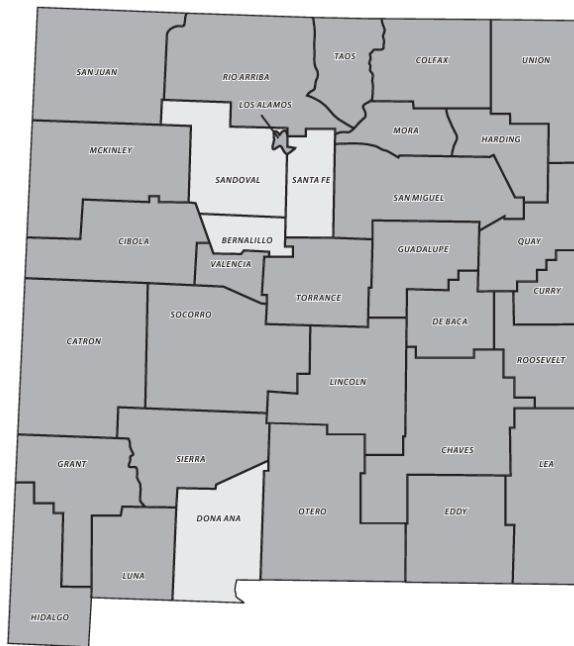
*Duplicate sheets included in packet

Appendix Q: Previous Findings on Local Board Consolidation

Moving to a two-board workforce system in New Mexico may enhance performance and reduce administrative complexities highlighted by discrepancies in fiscal operations and reliance on informal agreements for inter-board collaboration. High-performing states in workforce development have strengthened ties between workforce boards and educational as well as economic sectors, indicating that New Mexico could benefit from more integrated relationships with educational leaders and the Economic Development Department to improve service delivery and address employer needs.

A previous LFC spotlight and a 2021 state workforce board task force recommended converting from four local board areas to two. In 2019, the state workforce development board created a subcommittee dedicated to evaluating the current four-board structure. In line with the recommendations of LFC’s 2020 policy spotlight, the Task Force ultimately concluded that the state should move to a two-board system divided between urban and rural areas. In addition to the performance issues highlighted in LFC’s spotlight, the state board report also pointed to discrepancies in fiscal operations, including underspending leading to reversions of federal dollars for some boards. Fieldwork for this report revealed the extent to which the local boards rely on both improvisational handshake deals and formal MOUs to facilitate collaboration between workforce regions. This additional administrative and staff overhead would be largely eliminated by consolidating to a two-board urban/rural system. To change a state’s board structure, the governor must specify the board structure, local boards have to approve of restructuring and cede local board power to the state, and the U.S. Department of Labor must also formally approve any change.

Proposed Restructuring of Workforce Development Board



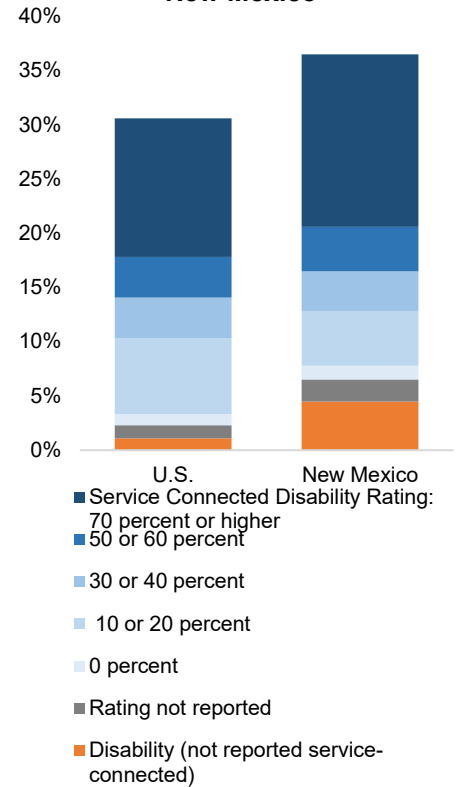
Note: Dark gray sections indicate the proposed rural workforce board and light gray sections represent the proposed urban workforce board region.

Source: State Workforce Development Board, “Making the Case for Transformation and Redesign of the New Mexico Workforce Development System,” 2021.

Appendix R: New Mexico Veterans and LFPR

New Mexico has a higher percentage of veterans and veterans with severe disabilities as compared to the national average, which may contribute to the state's low labor force participation rates. Veterans comprise a higher percentage of New Mexico's population (8.3 percent in 2022) as compared to the national average (6.2 percent). Additionally, whereas 30.6 percent of veterans report having any kind of disability nationwide, 36.5 percent do so in New Mexico. As of 2022, there were approximately 49 thousand disabled veterans living in the state. Within this population, New Mexico's veterans are more likely to report having a severe service-connected disability which impedes them from working. At this level of disability rating (70 to 100 percent), veterans are entitled to between \$1700 to over \$5000 per month in Veterans Disability Compensation (VADC) depending on rating level and family composition. Among veterans with less severe disabilities who might otherwise willing or able to rejoin the labor force, VADC may be suppressing workforce participation in the state. For instance, one research study found that between 1995-99 and 2010-2014, VADC participation grew by nine percentage points nationally alongside real benefits while the relative labor force participation rate for veterans fell by five percentage points. The study further found directly correlation between specific eligibility expansions and sharp falloffs in veterans' workforce participation.

Chart X: Makeup of Veteran Population by Disability Status, U.S. vs New Mexico



Source: LFC Analysis of American Community Survey 2022 5-year estimates, table B21100.

Appendix S: Substance Use Disorders & LFPR

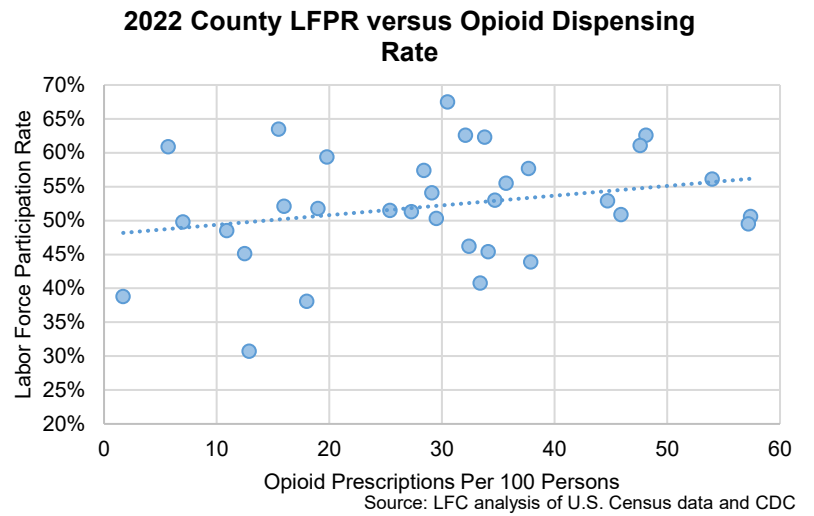
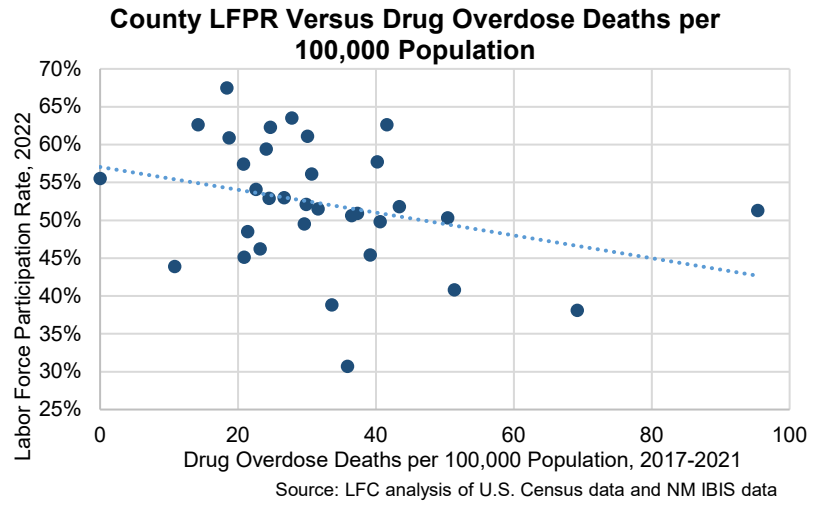
Substance use disorders have significant economic impacts for individuals and the state. As cited in the 2023 LFC progress report *Addressing Substance Use Disorders*, the Penn State Evidence to Impact Model (formerly Results First) estimated that the lifetime cost of an illicit drug-use disorder is \$245 thousand per person in New Mexico. The model estimated the lifetime cost of alcohol use disorder is \$154 thousand. The overall estimated costs of substance use disorders in New Mexico is \$39 billion. In 2020, the New Mexico Department of Health (DOH) estimated 204 thousand New Mexicans were living with a substance use disorder (SUD), and only one in three people were receiving treatment. Of those not receiving treatment, the biggest gaps are among those living with alcohol use disorder (an estimated 73 thousand individuals) and those with benzodiazepine use disorder (14 thousand). DOH linked New Mexico's untreated substance use disorder cases to the state's low labor force participation rates.

For rural New Mexicans, elevated stigma around seeking treatment and lack of treatment options compound existing barriers to workforce participation. In a 2017 *Washington Post*-Kaiser Family Foundation rural and small-town America poll, 14 percent of survey participants named drug use as the biggest problem facing their local community, the second largest share of responses after jobs and employment (21 percent). Substance use has increased in New Mexico's rural areas, which are also more likely to lack treatment options. The 2023 LFC progress report found that general practitioners were the main resource for referrals and substance or alcohol use disorders in the state, and that many rural areas lack access to medication-assisted treatment, a best practice for treating SUDs. The lack of anonymity in rural areas can present an additional barrier to seeking treatment.

Some treatment programs and rural health services are building in work rehabilitation elements and local economic partnerships. The Behavioral Health Investment Zones (BHIZ) initiative provides funds to rural communities that lead the state in deaths attributable to alcohol, drugs, or suicide. The first zones were established in 2016 in two counties, Rio Arriba and McKinley, and the second round of zones chosen were San Juan and Sierra counties. Examples of BHIZ spending to date include culturally relevant services not covered by Medicaid, renovations to a detox facility, trauma-informed prevention, outreach, education, technical assistance, capacity building, care coordination, and training. For instance, in 2018, the Rehoboth McKinley Christian Health Care Services partnered with the Chamber of Commerce to create a job pool and work with employers to hire clients from exiting the local Residential Treatment Center. According to a May 2018 LFC hearing brief, the city placed seven individuals in internships and community enhancement positions.

New Mexico counties with higher per capita drug overdose deaths tend to have lower labor force participation rates. One national study estimated that increased substance use disorders (including opioids, psychostimulants such as methamphetamine, and alcohol) during the Covid-19 pandemic accounted for between 9 and 26 percent of the decline in prime-age labor force participation. LFC analysis reveals that as level drug overdose deaths per capita increase at the county level, labor force participation tend to decrease. There are some significant outliers to this trend, such as Rio Arriba County, which has the highest number of per capita drug deaths by a wide margin (95 per 100,000), but still has relatively high LFPR for a rural county (51 percent).

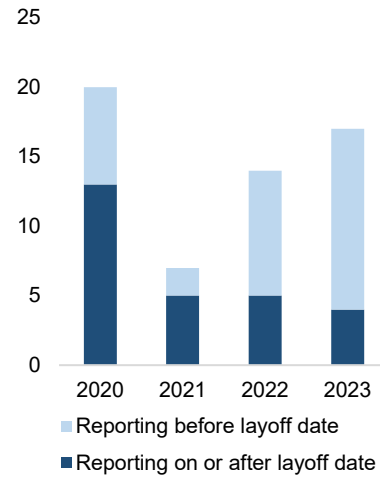
Contrary to national and international trends, New Mexico's opioid prescription rates do not appear to correlate with depressed labor participation. A 2020 study in the *Journal of Human Resources* found that a 10 percent increase in opioid prescription rates caused a 0.53 percentage point drop in labor force participation. Similarly, a 2016 study in Denmark showed that having a general practitioner with a 10 percent higher opioid prescription rate led to a 4.5 percentage point increase in the probability that an individual uses prescribed opioids as well as a 1.2 percentile decrease in their labor income rank and a 1.5 percentage point decrease in labor force participation. However, New Mexico's opioid prescription rates appear to be a positive predictor of labor force participation rates. As a largely rural state, this may be because the availability of opioid prescriptions tends to correspond with greater access to healthcare and other social services more generally.



Appendix T: Rapid Response Reporting Improvements

On-time Rapid Response reporting has improved since a 2020 LFC policy spotlight found that the program was not being used as intended during the pandemic. The Rapid Response model helps individuals find employment after a company notifies the state of impending layoffs. WSD provides case management for these workers to help them find employment, training, or education to minimize the amount of time they may be on unemployment insurance. The less time a worker spends on unemployment insurance, the better their wage and employment outcomes, in most cases. The state also works with employers to find a way for the employer to retain employees. As of mid-July 2020, 13 out of 20 New Mexico companies (65 percent) that used the federal Worker Adjustment and Retraining Notification (WARN) Act and Rapid Response system notified WSD the day of or after the layoffs had occurred. Because the goal of the program is to engage with workers prior to unemployment to reduce their time on unemployment, when WSD is notified late it may minimize the effect of the program. Since 2020, on-time reporting has improved significantly. In 2023, only 4 out of 17 (24 percent) of notifications came on or after the layoff date.

Rapid Response Companies Reporting to Workforce Solutions, 2020-2023



Source: LFC analysis of WSD WARN reports

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