



Business Incentive Programs

The Job Training Incentive Program and the Local Economic Development Act are perhaps the best known of the state's lures for relocating and expanding businesses. JTIP reimburses companies for a share of the wages paid to certain newly hired employees, while LEDA reimburses local governments primarily for land and infrastructure related to attracting new or expanding businesses.

JTIP

In the current configuration of the more than 45-year-old JTIP, the Economic Development Department awards grants from the development training fund to subsidize wages for certain employees. To be eligible, a company must manufacture or produce a product in New Mexico, be a "green" company, or be a service company that exports a substantial percentage of services out of state. In addition, the company must be creating new jobs and the trainees must be new hires, although JTIP's affiliated Step-Up program helps companies train existing workers in new technologies or skills. Further, the company must guarantee full-time, year-round employment to the trainee on successful completion of the training program.

The grant, available for up to six months of wages, covers 50 percent of the wages for urban jobs, 65 percent for rural jobs, and 75 percent for jobs in "frontier," economically distressed, or Native American locations. High-wage jobs receive an additional 5 percent subsidy, as do companies that hire veterans. Companies that use the WorkKey's assessment tool as part of the hiring process will receive the additional 5 percent through June 2019. At least one-third of the total grants must be allocated to jobs outside of urban areas. While classroom training and a combination of classroom and on-the-job training are also eligible for reimbursement, nearly all grants are for on-the-job training.

While the department reports JTIP has supported the creation of more than 46,000 jobs since its creation, the cost per job created has varied widely. In addition, the JTIP subsidy can be "stacked" on other state incentives, resulting in a higher cost per job than is apparent.

The Legislature has typically supported JTIP through annual special appropriations but more recently has also provided more secure, recurring funding. Concerned about its return on investment, the state also adopted a "claw-back" provision to require any company to return awarded funds to the state if it closes the operation within six months of the award.

LEDA

The Local Economic Development Act authorizes the state to reimburse qualifying municipality and county governments with local economic development plans for the lease or purchase of land, buildings and equipment, and other public infrastructure related to certain businesses locating or expanding in the community. Sometimes called a closing fund because of the program's ability to "close" a deal, LEDA grants can also be used to guarantee loans although the size of the loan is limited by the local government's gross receipts tax revenue.

As of 2018, 83 New Mexico communities had qualified to receive LEDA grants by adopting local ordinances that create an economic development organization and an economic development strategic plan. While the use of the funds is limited, grants can be used in connection with a broad range of businesses, including manufacturing, retail, services, warehouses, and cultural facilities.

Although the act was passed in the early 1990s after voters approved a constitutional amendment to the antidonation clause to allow the use of state funds for local economic development projects, the program did not attract significant funding until the 2010s, when legislators began appropriating tens of millions of nonrecurring dollars, allocating \$15 million in 2014, \$50 million in 2015, and a total of \$83 million between 2013 and 2018. The program has created about 3,850 jobs since tracking began in FY16 at a cost ranging from \$6,000 to almost \$30,000 a job.

Like with JTIP, LEDA includes a clawback provision for reclaiming some funds if promised jobs do not materialize.

For More Information:

- The Economic Development Department JTIP website is gonm.biz/Job_Training_Incentive_Program.aspx. Its website for LEDA is gonm.biz/community-development/local-economic-development-act/
- JTIP was established as the development training fund under Sections 21-19-7 through 21-19-13 NMSA 1978. LEDA is authorized under Section 5 Article 10 of the state statutes.
- An LFC-created chart showing the cost per job created for JTIP and LEDA is usually available in Volume III of the *Report of the Legislative Finance Committee to the Legislature* (also known as the budget recommendation), www.nmlegis.gov/Entity/LFC/Session_Publications.