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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/16  
 SPONSOR Tripp/Papen LAST UPDATED 2/10/16 HB 177/aHBEC/aHAFC  
 SHORT TITLE Solo-Worker & Out-of-State Revenue Program SB \_\_\_\_\_  
 ANALYST Clark

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
	No Impact					

Parenthesis ( ) indicate revenue decreases

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Minimal			Recurring	General Fund

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department (EDD)

Higher Education Department (HED)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendment strikes the appropriation and clarifies EDD shall provide matching funds *if other funds become available*. Currently, there are no funds available, so the solo-worker program called for in the bill would not go into effect unless and until an appropriation was made for this purpose in a future legislative session.

#### Synopsis of HBEC Amendment

The House Business and Employment Committee Amendment clarifies the bill is intended to create opportunities for *New Mexico* residents.

Synopsis of Original Bill

House Bill 177 appropriates \$500 thousand from the general fund to the Economic Development Department (EDD) to implement a new solo-worker program. The bill creates a new section of law to create a program within EDD to create and sustain economic-base jobs and expand businesses owned and operated by solo workers engaged in economic-base jobs. The bill defines an economic-base job as one in which more than 60 percent of the revenue generated derives from outside the state through goods or services produced. The bill further defines a solo-worker as a person who is engaged in full-time employment and whose employer, if any, does not supply the office space or amenities used to perform the person's work.

The bill tasks EDD to provide matching funds to "program agencies" defined as certified business incubators, community colleges, or organizations whose purpose is to create jobs and promote economic development. The department would provide matching funds to advance initiatives that will create opportunities for residents to become solo workers engaged in economic-base jobs; support the continued employment and business expansion of existing solo workers engaged in economic-base jobs; recruit solo workers from outside the state; and make the state and its local communities more competitive in creating, attracting, and retaining solo-worker jobs.

**FISCAL IMPLICATIONS**

The appropriation of \$500 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY17 shall revert to the general fund.

There would be a minimal cost to EDD to administer the program. However, the bill does not clarify if any portion of the appropriation may be used for administrative costs, stating the funding is "to implement the provisions of the solo-worker program." This might allow the agency to use a small amount of the funding to administer the program and avoid incurring an unfunded operating budget impact.

**SIGNIFICANT ISSUES**

EDD reports the following issues related to administering the proposed program.

EDD would have to administer this program as a grant program and would have to create an application process, guidelines, goals, objectives, and measurable outcomes. The agency would fund some or all of the agencies or organizations which would apply. There are only six certified incubators, and there are 23 community colleges. Other qualifying entities include an organization whose purpose is to create jobs and promote economic development. This may include non-profit 501c3 economic development organizations, chambers of commerce, municipalities, counties, tribal entities, etc. EDD does not know how many of those entities would want to match dollars to create such a program under their organization or add it to their list of responsibilities, specifically the community colleges whose mission is to provide educational opportunities, not create jobs.

However, if many of these entities applied for funding, the appropriation might be spread so thin among applicants it could minimize the effect of the matching funds.

The Higher Education Department (HED) provided the following additional analysis.

According to economic development consultant Mark Lautman, the solo or independent worker sector is one of the most neglected economic-base sectors. He suggested a pilot at the local level to convert unemployed New Mexicans into solo-workers with assistance from small business development centers, MainStreet programs and other local efforts.

It is unclear exactly what facet of community college activity might qualify under this bill. It is possible that entrepreneurship programs or career and technical training that could lead to solo work (electrical or plumbing certification, for example) might qualify, but they would likely need to limit their service to would-be solo workers planning to create an economic-base business.

### **PERFORMANCE IMPLICATIONS**

The LFC policy of accountability is not met since the program agencies are not required in the bill to report annually to EDD or to an interim legislative committee regarding any data compiled to determine whether the solo-worker program is meeting its purpose or the cost per job created.

Although not required by the bill, if program agencies reported the number of jobs created to EDD, the agency could use these reported jobs to improve the results for its job creation performance measures.

### **ADMINISTRATIVE IMPLICATIONS**

The bill would create a small administrative impact to EDD to oversee the program.

JC/jo/jle