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FISCAL IMPACT REPORT

SPONSOR Barela ORIGINAL DATE 1/21/16
 LAST UPDATED 2/17/16 HB _____

SHORT TITLE Rapid Workforce Development Act SB 92/aSFC

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
	Unknown					

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total			Up to \$15.0	Up to \$15.0	Recurring	General Fund

Parenthesis () indicate expenditure decreases

Relates to appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Workforce Solutions Department (WSD)

Higher Education Department (HED)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment strikes the appropriation (which is now contained in the General Appropriation Act) and strikes language stating money in the fund is appropriated to the Higher Education Department, replacing it with language saying money in the fund is available to the Economic Development Department (matching the GAA appropriation) subject to appropriation by the Legislature. This aligns the language in the bill with the language in the

appropriation and resolves the previous concern noted by LFC with granting continuing appropriations without legislative approval.

Synopsis of Original Bill

Senate Bill 92 creates the rapid workforce development fund and appropriates \$1.25 million from the general fund to this newly created fund. Money in the fund is appropriated to the Higher Education Department (HED) to carry out the provisions of the bill, which form the new Rapid Workforce Development Act.

The bill creates a board consisting of the secretaries of the departments of Economic Development (EDD), Higher Education, and Workforce Solutions (WSD). EDD reports the functions in the bill are intended to create a “recruiting program to address instances in which a workforce gap is preventing a company from locating to or expanding in the state...The board would identify workforce needs of a prospective employer, evaluate available workforce education and training programs, and, if appropriate, create a new technical or vocational education or training program at a New Mexico institution of higher learning.”

The effective date of this bill is July 1, 2016. This bill contains a sunset date – July 1, 2023.

FISCAL IMPLICATIONS

The appropriation of \$1.25 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The bill would add a small operating budget impact for the three agencies related to attending the meetings, performing research, and other actions associated with carrying out the provisions of the bill. LFC staff estimates this cost at up to \$15 thousand annually.

New companies entering the state because of this program would likely generate additional tax revenues, but without a thorough analysis of economic development tax incentives, currently unfeasible due to reporting limitations, it is impossible to determine if the program would result in net positive or negative revenue to the state.

SIGNIFICANT ISSUES

The bill does not give many guidelines for how such a program would operate, leaving it to the agencies largely to determine how to implement the program. It also does not create any obligations for the prospective company to interview or hire graduates of the program or fill an announced number of jobs, it does not identify a target for the cost per job created by the prospective company, and it does not provide a requirement for the board to recoup any funds from a company that terminates employees and/or closes operations after receiving this customized training.

This bill acts as an upfront incentive for companies without any clawback requirements to secure taxpayer funds.

The bill would add skills to members of the workforce, but at an unknown cost per job created and without any certainty those skills would be useful to other employers in the state if the prospective company does not hire graduates of the program or closes operations.

PERFORMANCE IMPLICATIONS

The LFC policy of accountability is not met since none of the agencies or the created board are required in the bill to report annually to an interim legislative committee regarding any data compiled to determine whether the appropriation and the act are meeting their purpose.

EDD reports the bill would have a positive impact on the agency's performance by allowing the state to compete for projects it is now losing due to workforce issues.

ADMINISTRATIVE IMPLICATIONS

There would be a small administrative requirement for each of the three agencies.

DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to an appropriation in the General Appropriation Act, as amended by the Senate, of \$1.25 million to EDD to perform the functions described in this bill.

OTHER SUBSTANTIVE ISSUES

EDD reports:

Workforce is consistently an obstacle to recruiting new businesses to New Mexico and assisting existing businesses to expand. For example, despite the state's substantial Hispanic and Spanish-speaking population, the Comcast call center that recently located in Rio Rancho could not hire a sufficient number of employees proficient in professional-level Spanish to meet its needs. This bill is specifically designed to address that type of need. The board could quickly establish a training or certificate program to enhance the language skills of Spanish-speaking residents in order to allow them to obtain the skills necessary for employment.

JC/jo/jle/jo