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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/17
 LAST UPDATED 2/17/17

SPONSOR Dodge/McCamley HB 147/aHLEDC

SHORT TITLE Workforce Training Residency Requirement SB _____

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
See Fiscal Analysis	See Fiscal Analysis	See Fiscal Analysis	Job Training Incentive Program (JTIP)

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department

SUMMARY

Synopsis of House Labor and Economic Development Committee Amendment

HB 147 LEDC amendment on page 2, line 12 and 13, strikes “instructional support and” in the following sentence. This amendment will remove the director of the instructional support and vocational education division of the public education department.

The amendment also on page 2, lines 15 through 17, removes the brackets and line-through and strike on the following sentence. the [~~director of the governor's office of workforce training and development~~] secretary of workforce solutions or the secretary's designee;

The amendment also on page 2, lines 18 and 19, removes the brackets and line-through and strikes “secretary of” on the following sentence. the [~~executive director of the commission on~~] secretary of higher education;

Synopsis of Bill

HB 147 amends Section 21-19-7 NMSA 1978 (being Laws 1983, Chapter 299) relating to the Industrial Development Training Program, otherwise known as the Job Training

Incentive Program (JTIP) (5.5.50.6 NMAC), which is overseen by the Industrial Training Board and administered by the Economic Development Department (EDD). The JTIP currently requires trainees to have resided within the state for at least one year (at any time) before being eligible for the program.

HB 147 amends the residency requirements of the JTIP. HB 147 allows trainees that have resided in the state for at least one day (at any time) to participate in the JTIP under certain circumstances. HB 147 allows for a one day residency requirement for a trainee if the trainee is training for:

- 1.) a job with a salary of at least \$60 thousand in a class H county or within ten miles of the boundaries of a municipality with a federal census population of at least 60 thousand;
- 2.) a job with a salary of at least \$40 thousand in a municipality with a federal census population of less than 60 thousand or in an unincorporated area of a county (not within ten miles of a municipality with a population of 60 thousand or more) that is not a class H county.

FISCAL IMPLICATIONS

The legislature appropriated \$6 million in Job Training Incentive Program (JTIP) funds during the 2016 legislative session, the second highest appropriation for the program in four years and the third highest in the last eight years. In the FY16 legislative session, the JTIP board also approved increasing the maximum reimbursement from 85 percent to 95 percent of employee wages, resulting in more JTIP funds being expensed.

Historically funded through special appropriations, the Legislature appropriated \$2 million for FY17 in the base budget to provide stability for the program. In addition to the recurring appropriation, the 2016 General Appropriation Act included a \$4 million nonrecurring special appropriation for JTIP for use in FY16 and FY17. The JTIP fund will receive \$ 2 million in recurring funding for FY18. The EDD has also requested a special appropriation of \$10 million for FY18.

The Job Training Incentive Program (JTIP) currently has a backlog of \$11.5M in pending applications and is fully obligated. Due to high demand for the last three years, JTIP has been fully obligated mid-way through the fiscal year.

HB147 will expand eligibility requirements that would result in an increase in funding requests at a time when the program is currently faced with budgetary constraints.

SIGNIFICANT ISSUES

Two categories of companies are eligible to be considered for JTIP funds: companies which manufacture products in New Mexico and certain non-retail service providers. JTIP contracted companies are reimbursed for wages as each trainee completes approved training hours and after the trainee has become a permanent full time employee of the JTIP contracted company. In the JTIP, trainees are guaranteed full-time employment with a company upon successful completion of JTIP funded training. The JTIP statute also requires one-third of funding go to rural businesses, but the agency has funded rural companies at significantly less than the one-third allocation for at least the last three fiscal years.

Additional significant issues according to the Economic Development Department are:

- The current backlog of JTIP applications does not account for any additional projects that might be in development that have not yet been brought to the EDD's attention. Expanding eligibility requirements could potentially drive the amount of funding requests even higher.
- This amendment broadens the intent of the original legislation to train New Mexicans in newly created positions.
- In FY2016, 72 high-wage jobs were approved for JTIP. Nineteen of those positions were filled with trainees who did not meet the current residency requirement. The companies were not allowed to claim reimbursement for those jobs and the associated funds were reverted back to the JTIP fund.
- High-wage JTIP jobs may also be eligible for the High Wage Job Tax Credit. High-wage jobs naturally require a higher skill-set and more training than low-skill, entry-level positions. Supporting the creation of high-wage jobs could assist in building a highly skilled workforce over the course of time.
- Many companies find it challenging to fill certain high-skill, high-wage jobs with New Mexican residents. This amendment would allow the companies to benefit for creating high-wage jobs if they are forced to recruit outside of New Mexico. However, the JTIP board has the authority to define the reimbursement rates and could amend policy to reimburse these positions at a reduced reimbursement rate, thereby maintaining the preference for hiring and training New Mexicans.

TECHNICAL ISSUES

If HB 147 is passed, the Economic Development Department would need to revise current administrative rule (5.5.50.6C NMAC) relating to the residency requirements for trainees to be eligible for the Job Training Incentive Program (JTIP).

HB147, primarily in Section 1(B), which defines the make-up of the Industrial Training board, amends subsection (3) by including the Secretary of Workforce Solutions or the Secretary's Designee in the makeup of the JTIP board. The current legislation includes an employee of the Workforce Solutions Department as a board member under subsection (5). Subsection (4) includes the Secretary of Higher Education, but does not include a designee.

ALTERNATIVES

HB147 will allow companies to utilize a higher percentage of the approved JTIP funds if the residency requirement is modified to allow for hiring residents who have lived in New Mexico for less than one year into high-wage positions. The Economic Development Department states that in order to remain as close to the original intent as possible, perhaps a reduced reimbursement rate for those trainees who do not meet the one-year residency requirement would be appropriate.