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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/09/17

**SPONSOR** Candelaria      **LAST UPDATED** \_\_\_\_\_      **HB** \_\_\_\_\_

**SHORT TITLE** State Workforce Agency Program Functions      **SB** 214

**ANALYST** Boerner

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

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI	NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates and potentially conflicts with SB369 which amends section of the New Mexico Works Act.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)  
 Workforce Solutions Department (WSD)  
 New Mexico Center on Law and Poverty (CLP)

### SUMMARY

#### Synopsis of Bill

Senate Bill 214 (SB214) amends sections of the New Mexico Works Act to transfer certain program functions from the HSD Income Support Division to the Employment Services Program of the Workforce Solutions Department.

- In **Section 1**, the bill adds a new definition, “state workforce agency” means the state’s Workforce Solutions Department, its designee or its successor.
- In **Section 2**, HSD will continue to determine client eligibility for Temporary Assistance for Needy Families (TANF), to include actions necessary to review and approve an application for work requirements and the establishment of work participation rates (hours and qualified work activities) as per federal requirements. However, after an application is approved, the bill directs WSD to:
  - Work with the applicant to develop an individual responsibility plan (IRP);
  - Meet semiannually with a participant to review and revise the participant’s IRP;

- and,
  - Develop a complaint procedure to address issues pertinent to the delivery of services and other issues related to an IRP.
- **Section 3** amends the statute to:
  - Direct WSD to recognize community service and job training programs operated by an Indian nation, tribe or pueblo, and
  - Develop projects to provide for the placement of participants in work activities (such as unpaid internships, refurbishing publicly assisted housing and volunteering at a head start program).
  - Additionally, **Section 3(I)** clarifies the list of exemptions from work requirements refer to exemption from *federal* requirements.
- **Section 4** directs WSD to work with the Public Education Department to establish a work program for participants to engage in a work activity at public schools.
- In **Section 5**, HSD will continue to be responsible for sanctioning a member for noncompliance with work requirements, which includes the incremental reduction of member benefits following each occurrence if the established “conciliation process” does not bring the client into compliance. However, the bill would allow HSD *or* WSD to establish the conciliation process to address noncompliance or barriers to compliance.
- **Section 6** transfers the authority to administer a wage subsidy program based on availability of federal and state funds to WSD including the determination of whether a participant is eligible to be a subsidized employee. WSD would also be responsible for monthly payments to employers and authorization of supplemental cash payments to clients when subsidized pay is less than the equivalent cash assistance a client is eligible.
- **Section 7** establishes a July 1, 2017 effective date.

## FISCAL IMPLICATIONS

None noted.

## BACKGROUND INFORMATION

WSD provided the following background information on the Workforce Innovation Opportunity Act (WIOA): In 2014, the federal government enacted WIOA, intended to assist job seekers and workers access employment, education, training, and support services to succeed in the labor market and match employers with skilled workers they need to compete in the global economy. The major focuses of WIOA are:

- An alignment of Federal Investments to Support Job Seekers and Employers
- To help employers find workers with skills necessary to meet business needs
- To align goals and increase accountability and information for job seekers and the Public
- To foster regional collaboration to meet the needs of regional economies
- To targets workforce services to better serve job seekers
- To improve services to individuals with disabilities
- Support Access to Services

WSD is responsible for coordinating core partners including HSD, to foster shared understanding of the workforce needs across the state, and to foster development of more comprehensive and integrated approaches for job seekers and employers. WSD submitted a Combined State Plan (CSP) to the U.S. Department of Labor (DOL) for program years July 2,

2016 through June 30, 2020, to address these efforts. HSD is actively participating as a partner to implement the strategies outlined in the CSP.

Currently, there are twenty one-stop Workforce Connections Centers operating statewide. Employment services staff work cooperatively and collaboratively with Local Workforce Development Boards (LWDB) to provide universal access to an integrated array of services to workers, jobseekers and employers, such as entry, review and maintenance of job-listings, assessment and testing of applicants, job search assistance, reemployment services to unemployed insurance claimants, labor market information, evaluation and assessment of skills, and abilities, and referral to training and support services.

WSD currently receives approximately \$12 million from the U.S. DOL to subsidize WIOA-related activities for job seekers. These funds are distributed to the four LWDBs to develop and implement activities to support customized training programs for individuals. Participants found eligible for these serves are identified in coordination with state and local agencies.

### **SIGNIFICANT ISSUES**

In summary, HSD explains that this bill defines WSD as the state workforce agency. The state workforce agency will be responsible for assessing education, skills, prior work experience and the employability of TANF participants. The agency will work with TANF participants to help them find gainful employment, gain the job skills they need to become employed, or obtain the education they need to become employed.

Nevertheless, the following concerns have been raised that could impact the successful transition of this program to WSD.

- CLP and other advocates raise concerns that WSD may not have sufficient experience providing specialized programs to TANF populations which often include support services such as child care assistance, subsidized housing, transportation assistance, and counseling and assistance transitioning to Social Security Disability. Many New Mexico families receiving TANF already have great difficulty accessing support services critical to employment. Some suggest that to help ensure an effective transfer of TANF programs to WSD, the Legislature could consider convening a task force to study the transition and accompanying effects on access. Alternatively, the Legislature could require WSD to develop a transition plan to be submitted to the Legislative Finance Committee, Department of Finance and Administration and the Legislative Health and Human Services Committee. Such a plan should include careful delineation of duties in areas where HSD and WSD responsibilities may overlap, such as with federal reporting or the development of a conciliation process to address noncompliance or barriers to compliance.
- Citing a 2004 study in California, CLP argues TANF clients without a car are roughly 1.5 times more likely to incur sanctions than recipients who own a car. CLP is concerned that since WSD has fewer field offices (22 WSD; 35 ISD), the transition could exacerbate existing transportation barriers for clients. To help reduce transportation barriers, CLP suggests the bill could contain a provision that ensures clients will not be terminated for failure to comply with work requirements if they have transportation barriers. Further, the bill could contain a provision requiring WSD have work program staff in each ISD office.

However, Section 3 (I)(9) states a participant who demonstrates “good cause” of the need for an exemption may be exempt from the federal work requirement which could include transportation barriers. Further, WSD may be able to leverage the 20 one-stop Workforce Connections Centers around the state as well as Local Workforce Development Boards.

- HSD currently supports subsidized employment and in FY16, introduced enhanced services for TANF participants. HSD finalized a memorandum of understanding with the Department of WSD for vocational training and is working with Higher Education Department on collaboration for high school equivalency courses. Nevertheless, CLP argues TANF programming could do better to address the lack of education credentials and job skills—the main reasons families fall into or remain in poverty. Indeed, the federal Health and Human Services Department and the Center on Budget and Policy Priorities both encourage states to use more TANF funds to provide ample opportunities for subsidized employment and career pathways training in high demand occupations.
- LFC and CLP have expressed concern that there is limited outcome data for HSD’s TANF programs beyond the federally-required “workforce participation rates,” in which states track and document client participation hours to comply with federal standards.

However, little data is available with respect to employment and education outcomes such as job entry, retention, improved employment outcomes after completing a job skills training program, or education skills increases (improvements in adult basic education grade levels, high school equivalency test, completion of a job skills training course, for example). Other quality measures could include “positive case closures,” such as closures due to employment or higher earnings, and “negative case closures,” such as closures due to failure to comply with requirements, and timely and efficient case processing including interviews, screenings and assessments.

WSD’s major workforce programs such as the Wagner-Peyser employment program incorporate federally-required outcome measures such as average earnings of persons entering employment after receiving services, number of newly-employed individuals after receiving services, and retention rates after six months. To ensure quality programming that results in measurable outcomes for clients, the Legislature could consider requiring robust outcome performance measures and timely reporting for TANF workforce programs.

## **PERFORMANCE IMPLICATIONS**

WSD expects that efforts to improve strategic, integrated and comprehensive approaches that improve opportunities for families to achieve economic success will positively impact the performance outcomes of the programs administered by WSD, and that the proposed amendments align with specific performance requirements and goals outlined in WIOA, and supports statewide efforts to coordinate and align workforce development activities across state agencies

Additionally, WSD already maintains the necessary case management system needed to track participants referred by HSD, the services provided, and also maintains all of the wage data for the state. This data will be necessary in order to track employment, and earnings outcomes for participants in the New Mexico Works Act program.

## **ADMINISTRATIVE IMPLICATIONS**

HSD notes that it will need to execute an intergovernmental agreement with WSD to transfer funds from the TANF block grant to WSD to administer the New Mexico Works Program.

## **POSSIBLE AMENDMENTS FOR CONSIDERATION**

As discussed above, the Legislature could consider:

- Convening a task force to study the transition and accompanying effects on access or require WSD to develop a transition plan to be submitted to the Legislative Finance Committee, Department of Finance and Administration and the Legislative Health and Human Services Committee;
- Requiring a provision that ensures clients will not be terminated for failure to comply with work requirements if they have transportation barriers or requiring WSD to have work program staff in each ISD office;
- Requiring WSD to allow and encourage participants to engage in as much research-based employment and training programs as possible;
- Requiring WSD to develop more robust outcome performance measures and timely reporting for TANF workforce programs similar to current measures within WSD major employment, education and training programs.

CB/sb