



Legislative Finance Committee JTIP/LEDA

JON BARELA, CABINET SECRETARY

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Job Training Incentive Program (JTIP) Report



JTIP Activity in FY15

59 Companies Approved

- Thirteen companies in rural locations including Alamogordo, Alcalde, Deming, Maxwell, Portales, Roswell, Santa Teresa, Socorro and Taos.
 - Established JTIP policy gives preferences for rural projects, including 65-75% reimbursement percentages vs 50% for urban projects, and no limit on company size for Step Up eligibility
 - 253 of the jobs funded in FY15 were rural, or which 93 were high wage
 - 61 incumbent workers trained through Step Up

58% of the companies approved were manufacturers.

\$11,692,977 Funds Approved

2,020 Jobs

\$17.63 Average Wage

\$5.5M in claims for reimbursement will be expended by the end of FY15.



JTIP Budget Report as of June 2015

Cash Balance (includes \$7.5M FY16 Appropriations)	\$15.4M
Current Obligations	<u>(\$11.4M)</u>
Unobligated Balance for FY16	<u>\$4.0M</u>
JTIP FY16 Short-Term Project Pipeline: July and August 2015—20 companies, 536 jobs—applications in development	(\$2.5M)
JTIP FY16 Long-Term Prospects	(\$6.5M)



JTIP Policy Amendments for FY16

Additional 5% reimbursement above the standard rates for the following:

- JTIP trainee is a recent graduate (within 12 months) of a New Mexico institution of higher education.
- JTIP trainee is a U.S. veteran.

Companies located in federally designated Colonias in New Mexico are eligible for up to 75% reimbursement.

Definition of “urban community”: *A municipality with a population of 60,000 or more according to the most recent federal decennial census.*

- Under previous policy the population threshold was 40,000. As a result of this change, Roswell and Farmington will be categorized as rural, and therefore companies located there will be eligible for up to 65% reimbursement.



Local Economic Development Act (LEDA)

DISCUSSION OF POLICY GUIDELINES



\$50.0 Million

- \$37.5M appropriated in the 2015 legislative general session
- \$12.5M appropriated in the 2015 legislative special session
- More than 30 states have deal closing funds with varying levels of accountability
 - Good and bad examples as to how these funds are deployed
- Any use of public funds requires a high level of transparency
- At least \$2.5 million allocated to rural areas in the general appropriations act



Best & Worst Practices Nationally

BEST:

- Clawback provisions
- Objective scoring tool
- Financial due diligence to minimize risk
- Permanent jobs at good wages
- Specific thresholds for job creation
- Commitment of local government
- Fully-funded project, shovel ready
- Audit or compliance verification process

WORST:

- Incentivizing low-wage jobs and questionable projects
- Missing compliance process
- Weak awards agreements
- Lack of financial due diligence
- Non-disclosure of recipients, amounts, selection process
- Lack of documentation



The Town Hall Process

Planning started the day after the appropriation bill was signed

Town Halls were conducted in 5 communities around the state

Total attendance was approximately 300

Worked with DFA and LFC on process, schedule and attendance



Key Public Comments

Need for “spec” buildings

- Demonstrate market demand
- Other investors participate
- State will not bear the greatest burden
- Space will not be convertible to retail purposes

No public push back on retail guideline

Discussions with legislative leadership and administration

No commission or board structure

Final funding decisions made by the Secretary in consultation with the Governor

Small business support

Leverage other resources



EDD LEDA Goals

- Overall goals:
 - Equitable, transparent, efficient, accountable
- Private sector job creation and increased wages
- Community impact and support
- Rural and underserved areas of our state
- Capital investment and leverage non-state funds
- Environmentally sustainable outcomes
- Financial soundness and readiness to proceed
- Expand New Mexico businesses
- Relocate new companies to the state



LEDA Metrics

- Performance measures are developed annually in cooperation with the Legislative Finance Committee, the Department of Finance & Administration & EDD.
- Measures are submitted with the agency budget request and strategic plan each year on September 1st.
- Two LEDA performance measures in FY16:
 - Private sector dollars leveraged by each LEDA dollar – 5 to 1
 - Number of jobs created through the use of LEDA funds – 1,500



Proposed LEDA Guidelines

- Must create permanent FTEs (minimum 32 hours per week)
- Goal: 10 to 1 ratio of private investment to LEDA funds
- Economic base business such as manufacturing, warehousing, exported services
 - EDD target industry clusters: aerospace & defense; advanced manufacturing; back office & technical support; digital & emerging media; energy; food processing; and logistics & transportation
- No retail projects with state funds
- Must be demonstrated competition for the project from out of state
- No government facilities or government jobs
- Due diligence process and minimal risk to state



Proposed LEDA Guidelines, cont.

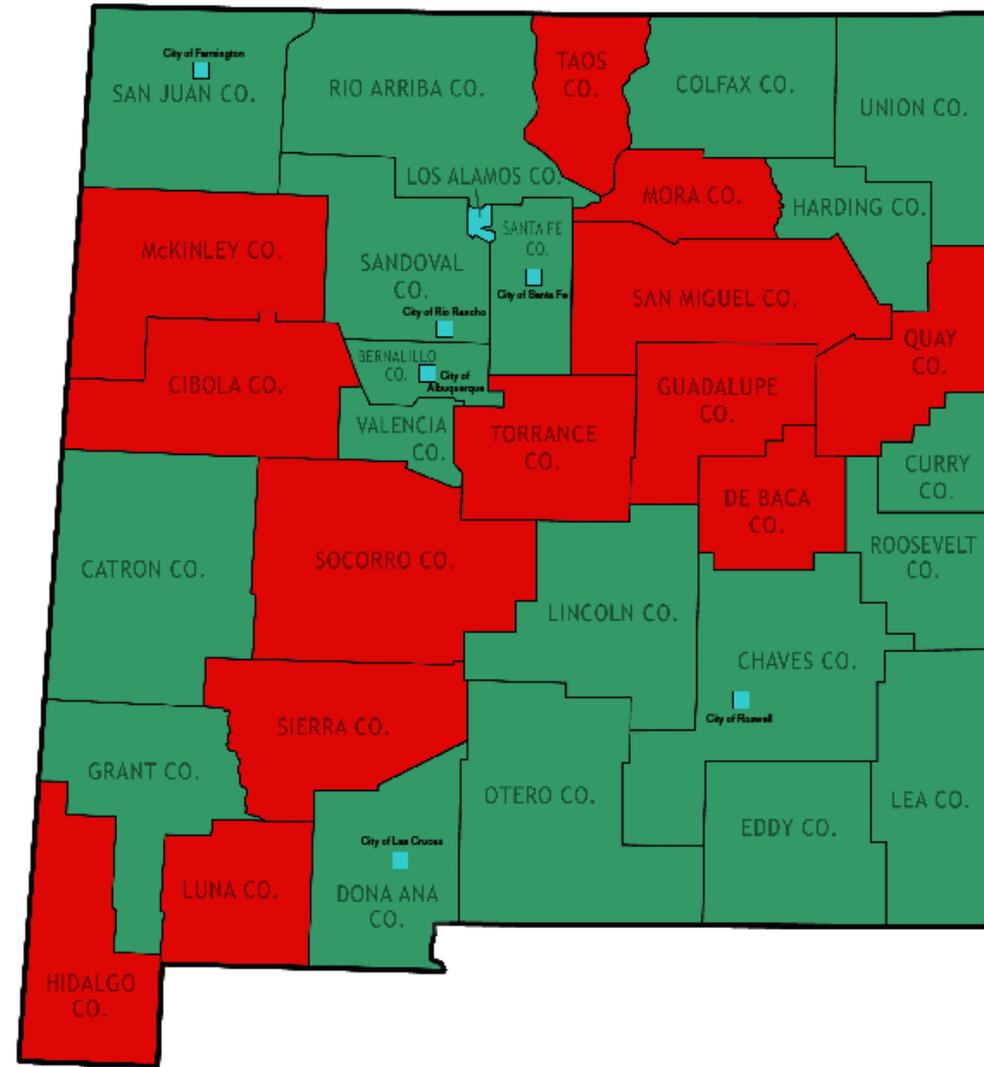
- Project must be fully-funded and shovel ready
- Equal consideration will be given to competing businesses
- Project's environmental footprint will be considered, including priorities
- Not for venture capital or seed funding
- Won't replace the traditional capital outlay process
- Tiered thresholds based on urban, rural or economically-distressed (see map, #15)
- Competitive wages that support New Mexico families (see chart, #16)



Urban, Rural and Economically-Distressed

Minimum job creation requirements, wage thresholds, and the ratio of private sector investment to public funds are typically determined by the location of the project.

Economically-distressed areas are usually those with high unemployment, a higher rate of poverty, and lower median income levels.



- Cities of Albuquerque, Farmington, Las Cruces, Rio Rancho, Roswell and Santa Fe; and Los Alamos County (and all the communities within Los Alamos County) are considered "Urban"
- Rural Counties including every community in each county is considered "Rural" except the cities cited above
- Economically distressed rural counties

Note: Frontier communities are all communities (regardless of the county they are located in) with a population below 7,500 according to the 2010 Census. Projects on tribal land are considered economically distressed.



Average Weekly Wages by City, County and Industry Sector

Wage thresholds are typically based on prevailing wages in the project location

- Incentives should not be used for low-wage jobs.
- Publishing wage thresholds contributes to the goal of transparency and full-disclosure.
- Wages vary significantly across industries and locations.

These are actual average weekly wages collected and published by the New Mexico Department of Workforce Solutions.

LOCATION	AVERAGE WEEKLY WAGE BY INDUSTRY SECTOR					AVERAGE WEEKLY WAGE FOR ALL INDUSTRY SECTORS (PRIVATE ONLY)
	Manufacturing	Transportation & Warehousing	Information	Finance & Insurance	Professional & Technical Services	
Bernalillo	\$939	\$800	\$919	\$1,074	\$1,430	\$772
Catron	\$366	*	*	*	*	\$384
Chaves	\$802	\$752	\$678	\$757	\$1,031	\$609
Cibola	\$578	\$1,128	\$575	\$786	\$889	\$668
Colfax	\$611	\$1,014	\$552	\$644	\$624	\$454
Curry	\$839	\$1,127	\$640	\$762	\$857	\$634
De Baca	*	\$0	*	*	*	\$512
Dona Ana	\$814	\$639	\$650	\$773	\$987	\$578
Eddy	\$1,260	\$1,133	\$795	\$832	\$1,077	\$999
Grant	\$437	\$539	\$1,096	\$593	\$561	\$702
Guadalupe	*	\$526	*	\$555	*	\$441
Harding	*	\$0	\$0	*	\$0	\$791
Hidalgo	*	\$1,042	\$504	*	\$561	\$411
Lea	\$1,669	\$1,370	\$809	\$954	\$923	\$1,023
Lincoln	\$577	\$415	\$467	\$717	\$913	\$511
Los Alamos	\$745	*	\$452	\$1,025	*	\$1,427
Luna	\$503	\$771	*	\$616	\$1,250	\$469
McKinley	\$1,021	\$878	\$550	\$556	\$748	\$500
Mora	*	\$513	*	\$403	\$0	\$489
Otero	\$552	\$576	\$687	\$673	\$912	\$610
Quay	\$630	\$673	\$840	\$695	\$595	\$490
Rio Arriba	\$527	\$496	\$348	\$689	\$1,251	\$573
Roosevelt	\$676	\$769	\$634	\$711	\$736	\$525
Sandoval	\$1,854	\$803	\$913	\$830	\$1,101	\$816
San Juan	\$845	\$955	\$733	\$710	\$835	\$880
San Miguel	\$413	\$406	\$701	\$666	\$651	\$456
Santa Fe	\$701	\$734	\$890	\$1,361	\$1,222	\$721
Sierra	*	*	\$496	\$566	\$617	\$457
Socorro	\$844	\$909	\$538	\$584	\$1,260	\$569
Taos	\$484	\$543	\$727	\$715	\$731	\$534
Torrance	\$1,078	\$513	\$608	\$685	\$764	\$640
Union	*	*	\$805	\$784	\$586	\$535
Valencia	\$824	\$737	\$624	\$693	\$600	\$531

*Not disclosed

Source: Quarterly Census of Employment & Wages, 3rd Quarter 2014, New Mexico Department of Workforce Solutions



LEDA Project Disclosure in Real Time

Project #	Industry Sector	Urban	Rural	# of Jobs*	LEDA Amount

Number of Jobs and the LEDA investment will be published in ranges.

In addition to our website posting, we will continue to provide the LEDA information in our quarterly performance report.



FY14 Appropriation = \$3.3 Million

Martinez Meats, Las Vegas

Canon ATS, Albuquerque

DHF Technical Products, Rio Rancho

Taos County EDC (Commercial kitchen)

Luna Theater, Clayton

Raytheon, Navajo Nation

FRST, Inc., Alamogordo

Eclipse Aviation, Albuquerque

Intergalactica, San Miguel County

CN Wire, Santa Teresa



FY15 Appropriation = \$15 Million

Santa Fe Brewing, Santa Fe

Franco Whole Foods, Las Cruces

CertoPlast, Las Cruces

Preferred Produce, Deming

Lea, Silco, Shuler, El Morro & Lyceum
Theaters

(Lovington, Silver City, Raton, Gallup &
Clovis)

S & P Data, Rio Rancho

NGL Partners, Cibola County

Tucumcari Cheese, Tucumcari

Praxair, Farmington

Google, Moriarty

PreCheck, Alamogordo

Accurate Machine & Tool, Los Lunas

Flagship Foods, Bernalillo County

NM Transload, Bernalillo County

New Mexico Foods, Bernalillo County

RiskSense (CaAnes), Albuquerque

Taos Mountain Energy Bar, Questa

MCS, Santa Teresa

Comcast, Albuquerque

CN Wire, Santa Teresa



LEDA Capital Outlay Funding: Request for Funding

- Communities that have passed their Local Economic Development Act and are able to act as a fiscal agent on behalf of the project may formally request funding for LEDA Capital Outlay.
- Funding request should include the project scope of work and demonstrate significant public benefit, submitted in a letter to the Secretary of Economic Development.
- Fund use is limited to Land, Building and Infrastructure.



LEDA Funding Decisions

Additional consideration will be given to projects:

- Located in Rural and Frontier communities
- In Economically Distressed areas (identified on map)
- In communities that have experienced a significant natural or man-made disaster
- Communities that have lost a major industry or employer



LEDA Process

Once a project has been selected for funding, a Notice of Funding Allocation (NOFA) is sent to the community outlining the process.

The Qualifying Entity is required to submit a LEDA application which includes supporting documents such as financial statements and corporate information.

Proof of the community LEDA ordinance, and compliance with the Executive Order pertaining to grant audit requirements is required.



LEDA Capital Outlay: Funding Timeframe

The length of time it takes to compile the requested documents will be determined by the project Qualifying Entity & Community.

Funds transfer to a community requires approval of the governing body:

- Project Participation Agreement (PPA) between the Qualifying Entity & the Community;

- Intergovernmental Agreement (IGA) between the governing body/fiscal agent and the NMEDD;

- Security Document which secures the funds invested against non-performance and which may be “clawed back” in the event of such for the life of the project;

- LEDA Ordinance which outlines the scope of work, including job creation information and capital investment made into the project.



Funds Disbursement/Compliance

Funding is on a reimbursement basis.

Once the process is completed, funds are transferred to the community but may not be disbursed until the Qualified Entity submits invoices and the invoices are approved by NMEDD.

Qualified Entities are required to submit Department of Workforce Solutions Form ES903A to report job creation for the life of the project.

The fiscal agent will submit semi-annual reports to NMEDD, due by the end of month in May and November, outlining project performance and community impact.

