

LFC Hearing Brief



While the state’s labor force participation rate (LFPR) has improved from the pandemic low, New Mexico’s LFPR in July 2024 was 57.4 percent, the same rate as July 2023. The state would need an estimated 40 thousand additional individuals between the ages of 20 and 54 working or looking for work to meet the national average. LFC reports have consistently noted low labor force participation holds the state back from economic development and expansion.

New Mexico’s annual per capita income is \$54 thousand, the 46th lowest in the United States in 2023. The state’s ranking was little changed from a decade prior when the state was 48th. Over the last decade, New Mexico’s private employment has grown by 6.8 percent, 6.4 percentage points slower than the west regional average. The New Mexico economy is more reliant on retail and government industries, likely contributing to lower wages.

Jumpstarting economic development in New Mexico will likely require state investment. Economic development research has found the cost per job created depends on a program's structure. For example, the average cost of a job created through a business incentive may cost \$296 thousand per job, according to one estimate. In contrast, creating jobs through the provision of government services—like customized job training—are likely far less costly per job. One researcher found that the cost per job created of customized job training to be \$54 thousand.

Recognizing the need to increase the skills of the New Mexico labor force, the Legislature has roughly doubled funding for workforce training programs over the past 5 years as shown in the table below:

Summary of Funding for Workforce Development and Training
(in thousands)

| Recipient | Purpose | FY21 | FY22 | FY23 | FY24 | FY25 |
|---------------------------------|--|-----------------|-----------------|------------------|------------------|------------------|
| Higher Education Department | Noncredit workforce training tuition for HEIs | - | - | - | - | \$20,000 |
| | Work-study in high-demand degree fields | - | - | \$20,000 | - | - |
| | IET programs | - | - | - | - | \$2,000 |
| | IET programs | - | - | - | \$1,000 | \$1,000 |
| | Noncredit workforce training funds (high skills) | \$461 | \$761 | \$761 | \$761 | \$761 |
| Health Care Authority | New Mexico Works Career Link | \$4,165 | \$4,165 | \$2,748 | \$2,748 | \$2,748 |
| | New Mexico Works Wage Subsidy | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Workforce Solutions Department | Trades and career exploration** | - | - | - | - | \$2,000 |
| | Youth re-employment and pre-apprenticeships* | - | - | \$5,000 | - | \$600 |
| | WIOA Title III (Wagner-Peyser) | \$5,549 | \$5,550 | \$5,584 | \$5,627 | \$5,589 |
| | Registered Apprenticeships (FY25 reflects HB5)* | \$2,000 | \$2,000 | \$2,200 | \$2,500 | \$7,500 |
| Local Workforce Dev. Boards | WIOA Title I | \$36,686 | \$33,245 | \$30,243 | \$36,476 | \$33,143 |
| Economic Development Department | Job Training Incentive Program (JTIP) | \$9,000 | \$12,000 | \$12,000 | \$9,700 | \$7,600 |
| | Creative industries fund & division | - | - | - | \$20,000 | - |
| Public Education Department | NextGen CTE pilot | \$2,000 | \$3,000 | \$10,000 | \$20,000 | \$40,000 |
| | Perkins | \$9,353 | \$9,727 | \$10,062 | \$10,432 | \$10,518 |
| TOTALS | | \$71,214 | \$72,448 | \$100,598 | \$111,244 | \$135,459 |

AGENCY: Economic Development Department, Workforce Solutions Department, Central New Mexico Community College

DATE: September 17, 2024

PURPOSE OF HEARING: Overview of Upskilling Opportunities

WITNESS: Tracy Hartzler, President, CNM; Rob Black, Secretary, EDD; Mark Roper, Division Director, EDD; Sarita Nair, Secretary, WSD

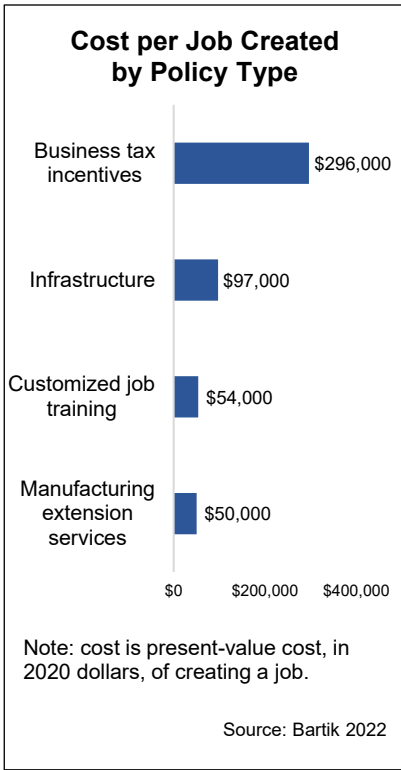
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EXPECTED OUTCOME: Informational

Strategic Plan and Target Industries

The Economic Development Department (EDD) released its statewide strategic plan in October 2021. The plan provides comprehensive strategy aimed at fostering long-term economic growth, diversification, and resilience across various industries and communities. The strategies include modernizing the economic development ecosystem, strengthening community capacity, improving higher education and aligning workforce, promoting equity through economic development, building capacity for entrepreneurs, and diversifying New Mexico's economy.

The plan identified nine target industries based on an analysis of New Mexico's current assets, employment concentration, industry's ability to add well-paying jobs, and potential for job creation. The nine identified industries are aerospace, biosciences, cybersecurity, film and television, outdoor recreation, sustainable and value-added agriculture, intelligent manufacturing, global trade, and sustainable and green energy. The plan highlights how the state's significant government presence, including national laboratories, makes New Mexico an ideal location for industries that rely on scientific research and technical expertise, such as bioscience, cybersecurity, and aerospace. The state's natural resources and landscapes support growth in sustainable energy and outdoor recreation, while its agricultural traditions and infrastructure investments provide opportunities in value-added agriculture and intelligent manufacturing.



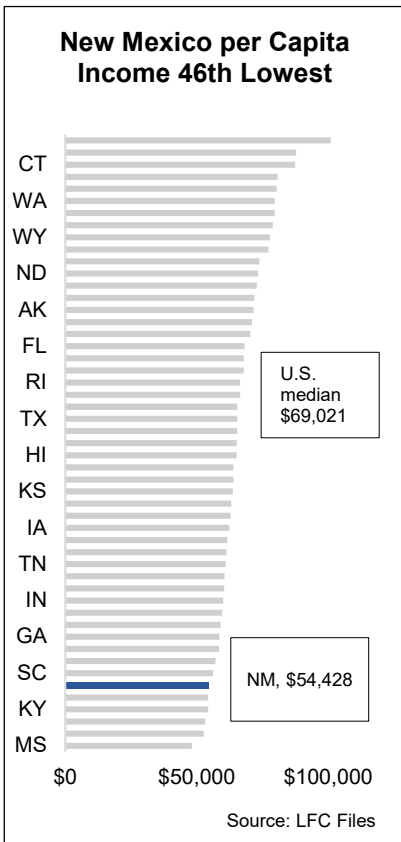
Current Employment in Target Industries

EDD's target industries represent relatively small proportions of statewide employment, constituting approximately 9.7 percent of the state's total employment. Five of the nine target industries each make up 0.5 percent or less of total statewide employment. The aerospace target industry is the largest, representing 3.6 percent. But as defined by EDD's strategic plan, the industry includes employment in science and technology research and development. Over 95 percent of the aerospace target industry is categorized as science and technology research and development, which includes more activity than just aerospace, and makes the industry appear larger than what normally constitutes the aerospace industry. Without research and development, the aerospace target industry would be less than 0.1 percent of total private employment.

Misalignment in State's Workforce Skills and Target Industries

Misalignment between the state's workforce skills and industry is a challenge for New Mexico's economic future. EDD's target industries generally require advanced skill levels in science, technology, engineering, and math. Education and job training in New Mexico need to ensure the state's workforce has the skills required to meet industry's needs. Without an aligned workforce, New Mexico risks exporting residents to states with better connected institutions and losing employers to states with better trained workers.

In their strategic plan, EDD analyzed how skills sought by employers do not often match skills in New Mexico workers' resumes. Nursing, accounting and auditing,



and merchandising were in the highest demand in New Mexico, but New Mexico lacks sufficient workers with these skillsets. The most common listed skills by New Mexico workers were strategic planning, business development, and project management, which are not in high demand by employers. This mismatch of existing skills and skills wanted by employers could explain rates of underemployment and why companies struggle to hire employees. EDD also analyzed how the state’s existing workforce would be able to meet target industries’ demand for specific workers. The agency compared the occupation’s share of industry jobs in the state to that of the country—determining if New Mexico had a staffing shortage or surplus. New Mexico had the largest shortages for medical scientists for biosciences, software developers for cybersecurity, assemblers and fabricators for intelligent manufacturing, and power plant operators for sustainable and green energy—all jobs that require higher levels of training and education. The shortage of skilled workers for the target industries represents a challenge for attracting more businesses to the state.

Workforce Training Programs

EDD administers the state’s Job Training Incentive Program (JTIP) that funds classroom and one-the-job training for newly created jobs in expanding or relocating businesses for up to 6 months. Only companies that manufacture a product, nonretail service companies exporting a majority of their services out of state, and certain green industries are eligible for JTIP. Agriculture, construction, extractive industries, health care, and retail businesses are not eligible. Because of JTIP’s eligibility requirement, funding is mostly targeted to manufacturing companies and employees who are directly related to the creation of a product or delivery of the services, such as customer service representatives, sales, general administration, engineers, and software developers.

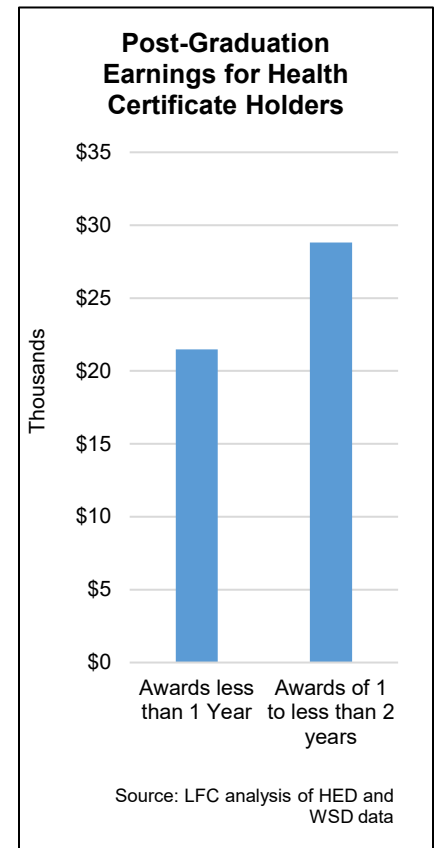
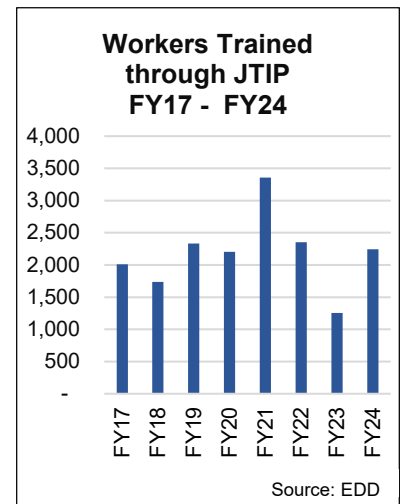
In FY24, JTIP awarded \$27.8 million to 72 companies to train 2,244 workers at an average wage of \$30.70. EDD also approved training support for 130 film crew members through the Film Crew Advancement Program (FCAP), which provides job training funding for film and multimedia programs.

Creating an Effective Workforce

New Mexico leads the nation in associate degrees, certificates, and certifications, but lags the nation significantly in bachelor’s degree holders. Crucially, younger New Mexicans are less likely to have postsecondary education than the working-age population as a whole. Fifty-one percent of New Mexicans age 25-64 have postsecondary education compared with 54 percent nationally. However, only 49 percent of New Mexicans age 25-34 have postsecondary education versus 56 percent nationwide.

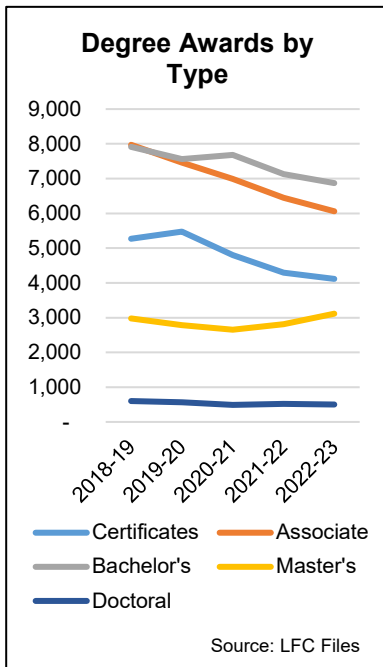
| Highest Education Level | Age 25-34 | | Ages 25-64 | |
|-------------------------------|------------|------------|------------|------------|
| | U.S. | N.M. | U.S. | N.M. |
| Grad/Professional | 12% | 9% | 14% | 13% |
| Bachelor's | 28% | 19% | 23% | 17% |
| Associate | 9% | 10% | 9% | 10% |
| Certificates & Certifications | 8% | 11% | 8% | 11% |
| Some College, No Credential | 12% | 17% | 11% | 11% |
| HS Grad/Credential | 24% | 27% | 25% | 26% |
| No HS Diploma/Credential | 7% | 8% | 10% | 12% |
| Post Secondary | 56% | 49% | 54% | 51% |
| Secondary or Less | 44% | 51% | 46% | 49% |

Source: Lumina



While certificates can lead to improved incomes, large variations in gains exist, depending on the type of certificate obtained. LFC analysis shows the majority of certificates obtained are general education and liberal arts certificates which are often awarded as a progress marker toward an associate degree. While this practice may improve student retention, the certificates awarded have little relevance to employment in a specific industry field and lead to limited wage increases.

Until 2023, the funding formula included awards for certificate completion which encouraged the award of certificates in humanities areas that are not directly tied to industry training. Beginning in 2023, the funding formula was changed to exclude certificates that were not workforce- or science, technology, engineering, and mathematics (STEM) related. This change was made to provide a greater incentive for colleges to focus certificate programs on industry-related training and STEM programs that can transfer career or to higher-level degree programs.



Workforce Training Certificates

Workforce training certificates are typically short-term programs of 1 year or less and are often specific to a single industry or skill. However, many certificates are offered as part of a series of skills-based programs known as “stackable” certificates. LFC analysis shows that stackable certificates lead to larger salary increases and a better-defined career path.

Noncredit certificates can be stacked horizontally across skills, or vertically to achieve a higher level of skill in the same discipline. For example, a student could receive a commercial driver’s license and combine that with an OSHA certification and a lines man certificate which would enable the holder to take on greater responsibility within a field. This is an example of horizontal stacking. Vertical stacking includes programs such as automotive mechanics fundamentals including brake and suspension to automotive technology including engine, transmission, and electronics. Additionally, students could achieve other certifications in EV service and repair.

In addition to industry-specific training programs, many two-year colleges provide training for specific companies for existing jobs. This training, known as “spec training” offers opportunities to move seamlessly from program to career. Spec training is developed by college staff in coordination with the company requesting the training and the company pays for program development and delivery costs.

State Investment

In 2022, the Legislature appropriated \$20 million to higher education institutions for work study programs. Institutions reported a considerable remaining balance from this funding source and in 2023, the Legislature expanded the purpose to include workforce training and apprenticeship programs. At the close of FY24, colleges and universities reported spending \$7.7 million of the \$20 million. Community and branch colleges reported spending \$3.1 million and had a remaining balance of \$7.8 million going into FY25. These funds will revert at the end of FY25.

The Legislature appropriated an additional \$60 million (\$20 million per year for three years) for workforce training courses and student intern and apprenticeship programs. The Higher Education Department has issued guidance to institutions and will provide the funding up-front to give colleges flexibility to quickly expend

the funds. However, the carry-over of prior year appropriations will result in 2-year colleges having to expend \$27 million in the first year of the program or revert unspent balances.

Tracking Outcomes

The Higher Education Department will oversee the \$20 million appropriation for workforce development and will track program performance and reporting. The department has notified institutions that distributions of the \$20 million in FY27 and FY28 will be subject to change based on performance but has not yet provided measures to be tracked or the formula by which future year awards may be adjusted.

Tracking student outcomes is of vital importance to achieving the goal of increasing earned incomes for program participants. Higher education institutions should focus on placing students in high-demand, industry-recognized programs and moving them from certification to apprenticeship to avoid gaps in employment and maximize the chance that students will see improved earnings directly upon program completion.

Tracking will also be essential to develop best practices for training programs. Because the appropriation language and the guidance are broad, colleges will have the opportunity to set up varying types of programs. For example, Dona Ana Community College will be using a model that requires students to pay 1/3 of program cost up front and will reimburse them upon program completion. Incentives like this may increase student completion rates, but without uniform and regular tracking efforts, the effects will be anecdotal.

Workforce Solutions Department

The Workforce Solutions Department (WSD) is the state agency most directly responsible for bringing disengaged adults into the workforce and oversees the state's unemployment benefits system, the federal Workforce Innovation, and Opportunity Act (WIOA), as well as programs to support employment outcomes of adults receiving federal Temporary Assistance for Needy Families (TANF) benefits. Leveraging state funding, WSD has also implemented new or expanded programs over the last three years, which aim to train workers and bring new workers into the workforce.

Programs and State Investments

Pre-Apprenticeships

Pre-apprenticeship programs provide paid on-the-job training for young adults ages 16 to 24, like paid internships. In FY23, WSD received a \$5 million non-recurring appropriation from federal ARPA funds to support youth-reemployment, as roughly 11 thousand young adults between the ages of 16 and 24 are unemployed. The program covers the wages of up-to 400 hours of work at \$15 per hour for youth who work for partnership businesses. In FY25, target industries included agriculture, bioscience, IT, and education. In FY24, roughly half of all pre-apprentices were high school students and partner organizations included businesses in the hospitality industry, the U.S. Forest, and U.A. Local Union 412, a plumbers and pipefitters union. House Bill 2 appropriated \$600 thousand annually for three years to implement and evaluate the program, though a timeline for evaluation is not yet developed.

2024 Nonrecurring Appropriations for Workforce Solutions Department

\$6 million to pilot and evaluate a trades career exploration program over three years through the GRO Fund.

\$1.8 million to implement and evaluate a youth re-employment and pre-apprenticeship program, targeted to disconnected young adults over three years through the GRO Fund.

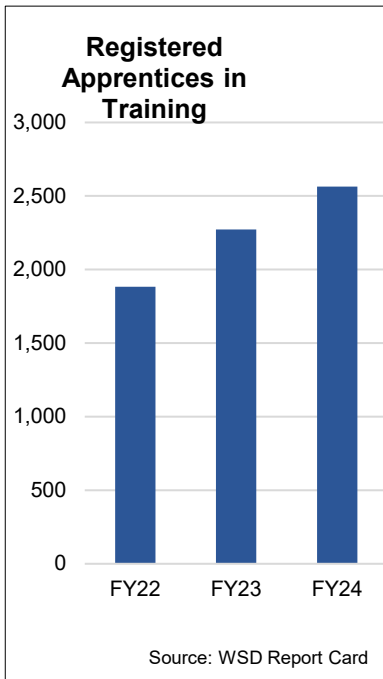
\$30 million to implement HB5 and create the Workforce Development and Apprenticeship Fund.

Apprenticeships

Apprenticeship programs combine on-the-job training with related classroom instruction, aiming to prepare individuals for skilled occupations. To receive state Department of Labor approval, registered programs must meet certain standards. Apprenticeships range between one and five years in length and typically involve 2 thousand hours of on-the-job training and 144 hours of classroom instruction. More than 50 apprenticeship programs are registered in New Mexico. Of these programs, 28 percent are operated by unions.

Apprenticeships are funded through three sources:

- The Public Works and Apprenticeship Training Fund (PWAT) is focused on the construction and building industries and provides a per-apprentice distribution to programs. The per-apprentice distribution decreased from \$1,729 in FY23 to \$1,700 per apprentice in FY24 as the number of apprentices increased.
- The Apprenticeship Assistance Act (AAA), which has historically used revenue transferred from the Workers Compensation Administration to fund, provides employers with reimbursement for technical instruction. Between FY22 and FY24 the reimbursement rate decreased from \$2.58 to \$2.01 as the number of apprentices increased.
- Federal Apprenticeship grants



House Bill 5, passed during the 2024 legislative session, created the Workforce Development and Apprenticeship Trust Fund. The Legislature appropriated \$30 million to the fund, which will distribute \$5 million, evenly split between the PWAT and AAA programs in FY25 and FY26 and \$3 million, evenly split, in subsequent years. According to the Workforce Solutions Department, this additional funding is not projected to translate into additional apprenticeship participants in FY25. Instead, the \$5 million distribution will primarily be used to increase the per-apprentice payments to apprenticeship programs, which could mean that per-apprenticeship payments may decrease in the future when distributions from the Workforce Development and Apprenticeship Trust Fund distributions decrease.

Career Exploration: Be Pro Be Proud

The initiative involves a truck carrying industry simulation machines, a website, and marketing that aim to increase youth interest in high-need and trade industries. The truck makes stops at schools and other locations around the state to engage students and adults and garner interest in high-demand fields. The program does not provide direct workforce training.

Energy Transition Act

The Energy Transition Act enabled funding to assist communities affected by the closure of the San Juan Generating Station, and the Workforce Solutions Department received a total of \$27.5 million to assist displaced workers. During 2022 and 2023, WSD initiated a series of supports, including the distribution of direct payments to displaced workers. The second phase of the plan is to be implemented in FY25 and focuses on providing education and training for dislocated workers.

WSD Workforce Training Initiative Program Budgets

| | FY25 Target Industries | FY24 Actuals | FY24 Participants | FY25 Budget | FY25 Projected Participants |
|--|--|---------------------|--------------------------|--------------------|------------------------------------|
| Pre-Apprenticeships | Agriculture Bioscience Education Advanced Manufacturing IT and Media | \$2,101,812 | 448 | \$1,700,000 | 267 |
| Apprenticeships | Construction and Building Trades All other industries | \$2,511,442 | 2,697 | ~\$7,500,000 | 2,850 |
| Be-Pro-Be-Proud | Building and construction trades Health care | \$1,491,210 | 5,100 | \$2,000,000 | 10,000 |
| Energy Transition Act Workforce Training | Building and construction trades Manufacturing Health care | \$6,102 | 1 | \$1,825,882 | 35 |

Source: WSD

Tracking Outcomes

Tracking outcomes associated with these workforce training programs is also important. Currently, WSD is tracking program participation but does not yet have outcome data about how programs impact future workforce participation, employment, or earnings.

WSD: Workforce Training Initiative Outcome Metrics

| | Outcome Metrics | FY24 Results |
|--|--|---|
| Pre-Apprenticeships | Participants who: Go on to an apprenticeship Obtain employment Enhance a skillset Provide an employee review | Apprenticeship: 9% Employment: 4% Skillset: 37% Employee review: 11% |
| Apprenticeships | Number of active apprentices Number of active programs | 5,547 |
| Be-Pro-Be-Proud | Students who express interest in a trade following engagement | 2,500 |
| Energy Transition Act Workforce Training | Training completion | None in FY24 |

Source: WSD

End Note on Workforce Development Funding

*Estimates, as the PWAT revenue for apprenticeships varies

**FY25, WSD received a \$5 million special appropriation for evidence-based re-employment and case management. They used a portion of this appropriation, along with a portion of the youth re-employment special appropriation for the career exploration initiative (Be Pro Be Proud).