F I S C A L I M P A C T R E P O R T

SPONSOR: Maes DATE TYPED: 02/01/01 HB

SHORT TITLE: In-Plant Training SB 250

ANALYST: Woodlee

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
$ 15,000.0				Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to House Bill 2, Senate Bill 98 (Performance Budget of the Economic Development Department) and Senate Bill 136, Duplicates House Bill 15 and House Bill 78

SOURCES OF INFORMATION

Economic Development Department
Labor Department
LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 250 appropriations $15 million from the general fund to the development training fund found within the Economic Development Department for the Industrial Development Training Program (IDTP), or In-Plant Training. This bill contains an emergency clause.

Significant Issues

In recent fiscal years, the IDTP has received a flat appropriation of $6 million annually. According to the IDTP Budget Report, in FY01 the IDTP Board awarded 86 percent of the appropriation before the first month of the fiscal year. The entire fund balances were awarded prior to the end of the second quarter of FY01. The bill would grow the appropriation by 150 percent. This would address a high demand for the program. However, it is unclear if just an increase in funds will address the issue of available funds.

Because the program pays a percentage of an employee's wages during training, the fund is adversely impacted when higher wages are attracted. In addition, if the training is unavailable in-house, the program will pay a higher education institution or another organization to conduct the training, as well as fund part of the employee's wages. These factors add to the rising cost of the program.

According to the National Governor's Association, in 1998 New Mexico had the highest cost per employee of $3.3 thousand, when comparing employee-based training programs across the country. In 2000, the cost per employee was $5.2 thousand.

Because the Industrial Development Training Board uses a first-come, first served policy, it is unclear if the additional funds would extend the life of the development training fund. The IDTP has changed its policies to help address the situation, such as only allowing for the initial six months of training and only funding rural areas 65 percent of wages instead of the potential 75- or 90-percent. Although these are steps in the right direction, no policies have been adopted to prioritize applications, or have any changes been made to address the issue of funding the majority of projects in the first month of the fiscal year.

The IDTP staff and board need to develop an application process that allows for consideration of projects, given a certain restraint on the amount that can be allocated. Currently, the board meets once a month and addresses completed applications that have been received and approved as qualified applicants. However, as in FY01, the board could feasibly allocate all the available funds prior to the end of the fiscal year. It is perhaps more efficient to meet quarterly or semi-annually and allow applications to be gathered and then considered against one another. As it is now, companies must rush to get their applications in at the beginning of the fiscal year in order to avoid missing out on the available funds later.

One problem with the funding process is that it is difficult to predict what companies may need funding and when. The first come, first served policy is seen to some as a solution to this. However, another possible solution to this issue to offer a contingency appropriation that would be able to be utilized only when the initial appropriation has been completely allocated, certified by the Department of Finance and Administration and/or the Legislative Finance Committee.

FISCAL IMPLICATIONS

The appropriation of $15.000.0 contained in this bill is a recurring expense to the general fund for fiscal year 2001 and subsequent fiscal years.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

Senate Bill 250 duplicates House Bill 15 and House Bill 78. In addition, the bill relates to the performance-based budget of the Economic Development Department found in House Bill 2 and Senate Bill 98. Also, this bill relates to Senate Bill 136, which proposes to transfer the IDTP from the Economic Development Department to the Labor Department.

MW/njw:ar