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## FISCAL IMPACT REPORT

SPONSOR: Jennings DATE TYPED: 02/20/01 HB \_\_\_\_\_  
 SHORT TITLE: In-Plant Training Fund Appropriation SB 737  
 ANALYST: Woodlee

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
\$ 9,000.0				Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB15, HB78, SB250, SB687

### SOURCES OF INFORMATION

Economic Development Department  
LFC Files

### SUMMARY

#### Synopsis of Bill

Senate Bill 737 appropriates \$9 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. The appropriation is contingent upon passage of Senate Bill 692, which proposes certain selection criteria for the IDTP. The bill includes 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 employees 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 employees' 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 has 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 \$9,000.0 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 737 is contingent upon passage of SB692, which proposes certain selection criteria for IDTP. Also, this bill relates to HB15, HB78, and SB250 all propose to appropriate \$15,000.0 to the Industrial Development Training Program. SB687 proposes to appropriate \$6,000.0 to the program. HB589 proposes to change the size of project for the exception to the residency requirements. HB559 allows for the training of part-time employees, as well as full-time. Also, SB136 proposes selection criteria and transfers the program to the Labor Department. SJM-49 requests the IDTP Board to utilize the same selection criteria outlined in SB136 and SB692.

MW/njw:ar