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FISCAL IMPACT REPORT

SPONSOR HAFC DATE TYPED 02/09/04 HB 7/HAFCS

SHORT TITLE Development Training Program SB _____

ANALYST Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 52

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department

SUMMARY

Synopsis of Bill

The House Appropriations and Finance Committee Substitute for House Bill 7 serves to reconcile multiple amendments to the Job Training Incentive Program (JTIP), more commonly known as In-Plant Training. The committee substitute offers amendments and additions to the law as follows:

- Strikes “immediately” from Section F, number 2 and replaces it with “at any time”. This amendments broadens the New Mexico residency requirements to include anyone who has resided within the state “at any time” for a minimum of one year. Currently, the language states an individual must live in New Mexico for one year “immediately” prior to the commencement of training.
- Removes language pertaining to the “federal Fair Labor Standards Act” from Section F, number 5. This language change expands the eligibility to include managers, executives and some technical positions. However, it provides a cap of ten percent (10%) for management positions.
- Adds to the already existing reimbursement program another program which provides pre-employment training to furnish qualified manpower resources for the film and multimedia industry.

- Adds language that no more than ten percent (10%) of the payments are for part-time positions.

Additionally, the bill defines distribution of the funds as follows: two-thirds of the funds shall be expended in urban communities and one-third shall be expended in non-urban communities, up to \$50 thousand may be used by the department to administer the program, up to \$25 thousand may be used to administer the film and multimedia portion, and up to \$1 million can be used to reimburse film and multimedia production companies. Finally, the bill contains an emergency clause and is contingent on an appropriation to the program in the General Appropriation Act of 2004.

Significant Issues

It should be noted the Economic Development Department was appropriated \$7 million from the general fund and \$2 million from Temporary Assistance for Needy Families block grant in FY04. At a recent subcommittee hearing, the department reported a balance of \$12.5 million. Secretary Homans indicated the department will end the fiscal year with \$4-6 million in the development training fund. Additionally, the executive is recommending a special appropriation of \$8 million to the department for the Job Training Incentive Program for FY05.

EDD notes the language change broadens the eligibility for former New Mexicans – if an individual lived in the state for one year “at any time” they are eligible for the program. EDD believes this will entice company participants to recruit qualified New Mexicans and bring them back to New Mexico. In addition, removing the federal Fair Labor Standards Act further entices company participants to hire its management staff from New Mexico.

Finally, the language change creates a pre-employment training program in order to train and increase the crew for New Mexico’s film industry. Currently, New Mexico can only accommodate two films at any one time. With thirty (30) film projects in the pipeline, the current crew level is insufficient. The bill will provide pre-employment training for individuals who wish to enter the film workforce.

FISCAL IMPLICATIONS

Of the appropriation contained in the General Appropriations Act of 2004, the House Appropriations and Finance Substitute for House Bill 7 sets aside \$50 thousand for the administration of JTIP and \$25 thousand for the administration of the film portion of the program. In addition, the bill sets aside up to \$1 million to be used to reimburse film and multimedia production companies and to provide pre-employment training for that industry.

ADMINISTRATIVE IMPLICATIONS

The language in this bill allows the department to properly administer the fund.

RELATIONSHIP

This bill relates to Senate Bill 52, which appropriates \$20 million for JTIP.

OTHER SIGNIFICANT ISSUES

In light of information from EDD regarding the apparently poor rate of retention for JTIP recipients, it was noted in the Economic Development and Regulatory Subcommittee report to the House Appropriations and Finance Committee that the Subcommittee was interested in the full committee considering a “clawback” provision for companies that receive JTIP funding. A possible provision would be that any funded company must stay in New Mexico for three years or pay back the funded amount.

EDD notes with the national attention and overall increase in film activity, it is imperative to provide pre-employment training in order to grow the crew base. With insufficient crew, New Mexico stands to lose major film projects representing hundreds of jobs and millions in revenues.

In addition, if this bill is not enacted, the reimbursement program for film and multimedia companies which was enacted last year will not be funded.

If the amendments provided in this bill are not enacted, EDD will not be able to utilize the program to recruit former New Mexico residents, nor will the program be utilize funding to encourage companies to hire New Mexico residents into management positions.

KBC/njw:dm