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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/07  
 SPONSOR Lujan, B. LAST UPDATED 2/15/07 HB 8/aHAFC  
 SHORT TITLE Development Training Programs SB \_\_\_\_\_  
 ANALYST Earnest

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$8,000.0		Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to appropriation in the General Appropriation Act (House Bill 7).

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department (EDD)  
 Office of Workforce Training and Development (OWTD)  
 Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of House Appropriations and Finance Committee (HAFC) Amendment

The HAFC amendment increases the appropriation from \$7.5 million to \$8 million.

#### Synopsis of Original Bill

House Bill 8 appropriates \$7.5 million from the general fund to the development training fund for use by the Job Training Incentive Program (JTIP) at the Economic Development Department. JTIP reimburses qualified companies for a significant portion of wages for newly created jobs for up to six months. Depending on where the business is located, the program reimburses 50 to 70 percent of employee wages.

**FISCAL IMPLICATIONS**

The appropriation of \$8 million contained in this bill, as amended, is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

**SIGNIFICANT ISSUES**

The November 16, 2006, JTIP budget report shows a \$22.2 million cash balance in the fund. Of that amount, \$23.9 million is encumbered, dedicated for film projects, or obligated, leaving a potential shortfall of \$1.7 million. The budget report, however, does report on the number of companies that return grants to the fund. When companies do not use the entire allotment from JTIP, the balance is returned to the development training fund for other awards.

**PERFORMANCE IMPLICATIONS**

According to EDD, the number of jobs created by the program has increased from 1,523 in 2002 to 3,462 in 2006, a 127% increase. So far in FY07, the program has approved funding for the creation of 1,156 jobs. Next fiscal year, EDD’s goal is to create 4,000 jobs. Rural participation has also increased. In FY06, 39% of the projects funded were in rural areas of New Mexico, which compares to 33% in FY05.

**ADMINISTRATIVE IMPLICATIONS**

None identified.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

The LFC recommended a special appropriation of \$9 million for the program. The Executive has recommended \$8 million.

**OTHER SUBSTANTIVE ISSUES**

The Job Training Incentive Program serves foremost as a recruitment tool, and EDD has aggressively marketed the incentive and loosened restrictions on its usage. In FY06, JTIP awarded \$15.9 million to 67 companies, a 248 percent increase over FY05. The program received a \$7 million special appropriation in the 2006 session, of which \$2 million is available for film productions. The 2006 appropriation was contingent on the adoption of a “claw-back” provision, and the program now requires any company to return awarded funds to the state if it closes the operation within six months of the award. The new rule does not require companies to return funds should it lay off employees whose wages are subsidized by the program.

At least one-third of all JTIP funds must be spent in rural areas—a requirement mandated by Section 21-19-13 NMSA 1978.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

According to EDD, if JTIP is not funded, the board, which oversees and evaluates all funding proposals, will have to meet the shortfall in one of the following ways:

- Allocate funds based on the available cash balance until funds are depleted and the program is suspended;
- Approve only certain kinds of proposals, (i.e. no more urban call centers, or companies paying less than \$10/hour). The board recently deferred a proposal based on these two concerns;
- Put a cap on the amount any company can claim (e.g. \$500,000). This would negatively affect recruitment efforts of large companies, some of whom have claimed several million in training reimbursements; or
- Implement other restrictions to make the money go farther.

BE/mt