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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/09  
 LAST UPDATED 02/19/09    HB 707

SPONSOR Chavez, El

SHORT TITLE Bernalillo Workforce Literacy Program    SB \_\_\_\_\_

ANALYST Peery-Galon

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$150.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)  
 Public Education Department (PED)  
 Workforce Solutions Department (WSD)  
 Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 707 appropriates \$150.0 from the general fund to the Workforce Solutions Department for a workforce literacy program in Albuquerque in Bernalillo County.

### FISCAL IMPLICATIONS

The appropriation of \$150.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert to the general fund.

According to the February 2009 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$575 million less than the FY09 appropriations before the 2009 solvency reductions. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

WSD noted the proposed legislation would have a direct fiscal impact on the department. Funding would be required at the State Administrative Entity for the following: fiscal and contract administration, and fiscal and program monitoring. As the State Administrative Entity, WSD's projected administrative costs would be 10 percent of the total appropriation. The remaining 90 percent would be issued on a professional services contract. Ten percent of the proposed \$150,000 dollar appropriation would be \$15,000.

EDD noted federal Workforce Investment Act funds have declined over the past six years. State general fund appropriations directly to Workforce Solutions Department for literacy programs must be considered as a way to supplant the declining federal dollars.

## **SIGNIFICANT ISSUES**

HED noted in order to stay competitive in the global economy, employers need workers who can read, write, compute, solve problems, and communicate well. According to the National Institute of Literacy:

- American businesses are estimated to lose over \$60 billion in productivity each year due to employees' lack of basic skills.
- About 20 percent of American workers have low basic skills, and 75 percent of unemployed adults have reading or writing difficulties.
- Workers who lack a high school diploma earn a mean monthly income of \$452, compared to \$1,829 for those with a bachelor's degree.
- The number of companies reporting skilled worker shortages more than doubled between 1995 and 1998, from 27 percent to over 47 percent.
- A survey of more than 300 executives found that while 71 percent reported that basic written communication training was critical to meeting their workplace's changing skills demands, only 26 percent of companies offered this kind of training. While 47 percent of the executives reported the need for workers to improve basic math skills, only 5 percent of companies offered basic math skills training.

Workplace literacy programs provide workers with the skills needed to get or retain a job, advance in their careers, or increase productivity. Service providers in Bernalillo County are adding workforce literacy programs to their offerings in an attempt to address the significant number of those with basic literacy skill deficiencies and assist in providing employers with the quality employees they seek.

EDD reported the United States congress appropriates all funds expended to administer employment programs, including the Workforce Investment Act, which the Workforce Solutions Department administers and monitors. The intent of Workforce Investment Act is to streamline workforce services by consolidating more than sixty training programs through three block grants to the states: Adult Employment and Training, Disadvantaged Youth Employment & Training, and Adult Education & Literacy grants.

EDD reported the Education, Employment and Training Division of Youth Development, Inc. serves children, youth and families by providing comprehensive employment, education, case management, support and aftercare services through a variety of programs and services. Through the New Mexico Workforce Investment Act, this division operates five sites that

provide comprehensive youth services centered at one location that are all focused on helping clients improve their employability. Services include helping with school completion, dropout prevention, guidance and counseling, practical work experience, summer employment, occupational skills training, alternative schooling and more. The sites are located in Bernalillo, Sandoval, Tarrant and Valencia counties. Other programs designed to help improve client's employability include: GED exam preparation, workforce literacy, tutoring/homework assistance, after-school work experience, college preparation, basic employment skills training, Medicaid enrollment, and after-school activities

EDD noted the Workforce Literacy Program was designed to help those who are unemployed to upgrade their employability skills to find good jobs or those who are underemployed and want to advance in their present job. It will prepare participants for the workplace, with high quality training covering job readiness, workplace expectations, life and employability skills, workplace communication and problem solving and entry level occupational skills.

### **PERFORMANCE IMPLICATIONS**

EDD noted with the additional funding, the Department of Workforce Solutions, through its contract to Youth Development, Inc. (YDI) should have the resource necessary to provide workforce literacy services. Passage of this bill does not have any performance implications for the Economic Development Department.

### **ADMINISTRATIVE IMPLICATIONS**

HED stated it would be appropriate for the department's Workforce Education and Adult Basic Education Divisions to collaborate on initiatives involving literacy skills and workforce development skills for adults over 16 years of age.

WSD noted that increasing the amount over \$50,000 will result in the requirement of a Request for Proposals.

### **OTHER SUBSTANTIVE ISSUES**

HED reported according to the National Institute of Literacy, 20 percent of New Mexicans age 16 and older have literacy skills at level 1, the lowest level on a scale of 1 to 5. Each literacy level is associated with a specific set of skills that are generally accepted as necessary for full participation in society. Individuals at level 1, for example, have difficulty locating simple information in a news article or applying basic math to determine the total on a sales receipt. Nationally, level 1 estimates range from a low of 11 percent in Alaska, Utah, and Wyoming to a high of 37 percent in the District of Columbia. The national average for individuals at level 1 or below is 21 percent. Within New Mexico, level 1 estimates range from a low of 5 percent in Los Alamos County to a high of 35 percent in Luna County.

HED stated in terms of literacy level 2, 46 percent of New Mexico's population is at this level or below. As a benchmark in practical terms, nearly two-thirds (64 percent) of all jobs today require literacy skills beyond level 2, while only 12 percent require skills at level 1 and 24 percent at level 2, according to a study by the Milken Institute.

Based on a statewide population of 1,954,599 and a 46 percent functionally illiterate population, it is estimated that 899,115 adults are in need of literacy services. In four New Mexico counties, the percentage of adults lacking a high school education exceeds 45 percent (Mora, Luna, McKinley, and Guadalupe counties). Statewide, 25 percent of adults age 21 and older and 18.5 percent of adults age 25 and older lack a high school diploma or its equivalent. Between 3,500-4,500 students are served by volunteer-based literacy programs in a given year. Specific to Bernalillo County: 16 percent of adults at literacy level 1 and 38 percent of adults at literacy level 2.

EDD noted that Youth Development Inc. is the subcontractor providing Workforce Literacy Services on behalf of the Workforce Solutions Department.

### **ALTERNATIVES**

EDD noted although dollar amounts have not yet been finalized, the Federal Economic Recovery Bill includes plans to provide additional grants to states for employment and training programs under the Workforce Investment Act. The funds will give governors the authority to rapidly allocate federal recovery funds specific to workforce training. An alternative would be to wait until passage of the Federal Economic Recovery bill to determine if New Mexico will receive additional federal dollars.

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