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FISCAL IMPACT REPORT

ORIGINAL DATE 03/06/09

SPONSOR Morales LAST UPDATED _____ HB _____

SHORT TITLE Transfer Workforce Solutions Dept. SB 659

ANALYST Peery-Galon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Minimal	Minimal	Minimal	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)
 Higher Education Department (HED)
 Public Education Department (PED)
 Department of Finance Administration (DFA)

No Response Received From

Workforce Solutions Department
 Association of Counties
 New Mexico Municipal League

SUMMARY

Synopsis of Bill

Senate Bill 659 transfers all functions, personnel, appropriations, money, buildings, files, records, furniture, equipment and other property of the Workforce Solutions Department (WSD), including any divisions of the department, to the Economic Development Department (EDD). All contractual obligations of the WSD of the Labor Department, including any divisions of either department, are transferred to the EDD. All statutory references to the WSD or to the Labor Department or any divisions of the Labor Department shall be deemed to be references to the EDD. The transfers are to be effective on July 1, 2009.

FISCAL IMPLICATIONS

EDD and DFA noted transferring of an agency would be costly as all letterhead, business cards, signage, marketing and collateral materials (including web sites) would have to be consolidated and changed.

HED noted the proposed legislation does not include an appropriation. Expenses in moving personnel, equipment and changing offices are anticipated. Additional expenses include reprogramming computer systems to printout the new agency letterhead on correspondence for the unemployment insurance program.

Combining WSD and EDD's Administrative Services Division would create a duplication of functions. There would be an anticipated reduction in operating costs from streamlining the two Administrative Services Divisions.

SIGNIFICANT ISSUES

EDD and DFA noted that EDD is a small agency which was created to facilitate the creation, retention and expansion of jobs and to increase investment through public/private partnerships to establish a stable, diversified economy to improve the quality of life for New Mexican citizens. EDD has 70 employees within 6 statutorily created divisions.

HED provided the following analysis of the proposed legislation focusing on the impacts to the Higher Education Department:

- Per the provisions of the proposed legislation the Secretary of higher education would continue to be a member of the Industrial Training Board, overseeing the Development Training Program that was designed to assist any area in becoming more competitive economically.
- The State Workforce Development Board would continue in its function to assist the Governor in developing a five-year state plan, in accordance with the federal Workforce Investment Act and the Carl D. Perkins Vocational and Applied Technology Education Act. The board would continue to develop appropriate linkages with HED to ensure coordination and non-duplication of vocational education, apprenticeship, adult education, employment training programs and vocational rehabilitation programs with other workforce development and training programs.
- The Coordination Oversight Committee (COC) would continue to assist the State Workforce Development Board in fulfilling its duties. The Secretary of higher education would continue to be a COC member, as would a representative from community colleges.
- The Secretaries of higher education and public education would continue to propose appropriate education plans that facilitate a career pathways culture and include reference to foundation skills. The plans would also address the strategic plans proposed by the Secretaries of Economic Development Department and the Human Services Department for COC consideration and possible recommendation for approval to the State Workforce Development Board as part of the state plan.
- The board member from the community colleges would continue to solicit input from the community college constituency and work with regional/statewide businesses, partners, and appropriate state departments to create career pathways, align curriculum, and facilitate planning in sync with the strategic plans of the EDD and the Human Services Department.
- The five-year state plan would continue to include recommendations to the Legislature on the modification, consolidation, initiation or elimination of workforce training and education programs in the state.

PED stated the proposed legislation does not address the technical issues related to operations pertaining to management, personnel, and revocation of lease agreements or contracts, rather the proposed legislation transfers all operations. The proposed legislation does not outline any change of duties of the WSD after it is consolidated under EDD.

PED noted it currently works in tandem with the WSD with regard to the administration and implementation of the Apprenticeship Assistance Act (AAA). Both the PED and WSD fill an identified role according to the AAA. Under the Act (Sections 21-19A-1 through 21-19A-13 NMSA 1978), PED staffs the program with the AAA director. PED is authorized to provide for an advisory committee, establish criteria for training, and the Instructional Support and Vocational Education Division is allowed to make rules and regulations necessary to carry out the provisions of the Act. The chair of the Advisory Committee, known as the director of the State Apprenticeship Council, is housed at the WSD. There are currently 20 apprenticeship programs across the state supported by this initiative.

PERFORMANCE IMPLICATIONS

EDD and DFA stated passage of the proposed legislation implies the department would take over the performance measures of the WSD. Many of the WSD performance measures are dictated by the federal Workforce Investment Act.

DFA noted that WSD and EDD have relevant ties in performance and overall objectives of each agency.

ADMINISTRATIVE IMPLICATIONS

EDD and DFA noted some of the functions of the two Administrative Services Divisions might be duplicated. Therefore, an analysis of the functions and responsibilities of the two agencies would have to be conducted in order to ensure minimal duplication or overlap exists. There also exists potential for duplication of duties within the two Offices of the Secretary (two Cabinet Secretaries, two Deputy Secretaries, two Public Information Officers, extra administrative assistants, etc.).

OTHER SUBSTANTIVE ISSUES

EDD and DFA noted WSD is a large agency which administers federal Workforce Investment Act funds to implement employment, training and public assistance programs. WSD also administers unemployment insurance. EDD noted the proposed legislation specifies that the transfer take place on July 1, 2009. A transfer of this magnitude might require additional time.

HED noted existing contracts, Memoranda of Understanding and other agreements between the WSD and the New Mexico Higher Education Department would need to be updated to reflect the new relationship with EDD.

LFC's *Review of the New Mexico Works Program and Workforce Development System Integration* (July 12, 2006) had a significant recommendation for the Legislature to consider an interim study during 2007 of options to consolidate workforce development programs into a single new department of how services should be delivered to job seekers and employers. The Workforce Solutions Department was created in 2007 by Section 9-26-1 through 9-26-15 NMSA

1978 to establish a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Labor Department and the Office of Workforce Development. The agency's mission is to improve the quality, career mobility, and empowerment of the New Mexico workforce, enhance productivity and competitiveness of New Mexico industry, and increase the self-sufficiency of those entering and moving up in the workforce.

Section 9-26-6 (D) NMSA 1978 states “where functions of departments overlap or a function assigned to one department could better be performed by another department, the secretary may recommend appropriate legislation to the next session of the legislature for its approval.” WSD, EDD, Public Education Department and Higher Education Department have been meeting regularly since October 2007 to discuss workforce issue and collaborate on efforts between the agencies. WSD has not conducted any assessment of overlapping functions between cabinet departments.

ALTERNATIVES

EDD stated an alternative would be to research the implications of such a transfer and delay the effective date until July 2010, so as to allow for a smooth transition.

RPG/mc