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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/2015

SPONSOR Cisneros/Gonzales LAST UPDATED 3/14/2015 HB \_\_\_\_\_

SHORT TITLE Higher Ed Workforce Development Programs SB 171

ANALYST Hartzler

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$300.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$300.0	\$300.0	\$600.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act, Section 4J Higher Education Department, Policy Development and Institutional Financial Oversight

Relates to:

- SB 162, Workforce Needs Analysis
- SB 157, High School Workforce Assessment System
- HB 308, School Workforce Assessment System

### SOURCES OF INFORMATION

LFC Files

### Responses Received From

Higher Education Department (HED)  
Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 171 appropriates \$300 thousand from the general fund to the Higher Education Department (HED) for workforce development programs.

## **FISCAL IMPLICATIONS**

The appropriation of \$300 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY16 shall revert to the general fund.

HB 2, as passed by the House and amended by the Senate Finance Committee, includes a \$150 thousand recurring general fund appropriation for workforce development programs serving recently displaced workers who require retraining. If SB 171 and HB 2, as amended, are enacted, HED will receive a \$450 thousand general fund appropriation for a targeted workforce development program.

The state currently funds a number of workforce training programs. HED currently receives general fund appropriations for workforce development programs, including \$500 thousand in general fund revenues for the High Skills program. The High Skills program reimburses community colleges for some of the costs associated with contracting with private employers to provide targeted employee training. In addition, the Economic Development Department (EDD) administers the Jobs Training Incentive Program (JTIP), a program supported with recurring and nonrecurring revenues. For eligible employers and employees, JTIP can be used to fund three types of training: custom classroom training at a public educational institution, structured on-the-job training, and a combination of classroom and on-the-job training. For FY16, HB 2, as passed by the House and amended by the Senate Finance Committee, includes a \$5.5 million nonrecurring general fund appropriation for JTIP. (See *JTIP Approved and Obligated Expenditures for FY14*, LFC Volume III, p. 14.)

## **SIGNIFICANT ISSUES**

The LFC has reported that, while the state faces significant challenges in producing and retraining employees for current and prospective job opportunities, “the state’s many workforce training and development programs are not grounded in a statewide plan, not well-coordinate, and not comprehensive in addressing population or local economic needs.” (See LFC Volume I, p. 38.) The Workforce Solutions Department (WSD) and local workforce boards, EDD, HED and higher education institutions, and others administer or implement workforce training without coordination.

There is a clear need for a better educated workforce. Based on 2012 U.S. Census Bureau data, New Mexico ranks 39<sup>th</sup> in the nation of the percent of adults (aged 25-64) with an associate’s degree or higher; the national average is 39.4 percent, while New Mexico is at 35.1 percent. Importantly, New Mexico’s recent migration (2010-2012) shows that more adults with high school and some college education (approximately 6,300) entered the state than adults with associates or higher degrees (approximately 5,800 adults). SB 171 and the state’s existing workforce training and adult education programs could address the needs of the larger population.

## **PERFORMANCE IMPLICATIONS**

Both HED and DFA recognize that performance measures should be attached to any workforce program that is developed pursuant to SB 171 or measures of existing programs should be amended to reflect receipt of funding available pursuant to SB 171.

## **ADMINISTRATIVE IMPLICATIONS**

Both HED and DFA note that the bill's direction is broad, allowing HED to distribute additional funds to existing programs, like High Skills; adult basic education, particularly the I-BEST program; or to individual institutions working on these programs. If a new program is initiated, HED reports that it may need additional staff to implement it.

## **RELATIONSHIP**

HED currently administers a workforce development program, High Skills, that reimburses community colleges for expenses associated with offering workforce training programming pursuant to employer contracts. In FY15, HED administered a \$500 thousand general fund appropriation for this program.

## **ALTERNATIVES**

The bill sponsor may wish to amend the bill to better direct funding to an existing workforce training program or specify a new program, with a particular focus, is needed.

## **POSSIBLE QUESTIONS**

Does this funding duplicate existing programs? Is there an existing program that could expand services, expand an area of service, or otherwise benefit from additional funds in SB 171?

TH/bb/aml/je