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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED _____ **HB** 445

SPONSOR Martinez, R/Small **SHORT TITLE** Training Program Funds For Certain Companies **SB** _____

ANALYST Martinez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications

(Parenthesis () Indicate Revenue Decreases)

Relates to: HB147

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

HB445 amends Section 21-19-7 NMSA 1978, Development Training, (a.k.a. Job Training Incentive Program or JTIP) by adding section B. under 21-19-7. Development Training as follows:

B. Except as provided in Section 21-19-7.1 NMSA 1978, money appropriated for the purpose of implementing this section may be expended for the benefit of a company located outside New Mexico if the company files a New Mexico tax return and pays any tax owed to the state or if the company, as a result of hiring workers trained in accordance with this section, will file a New Mexico tax return and pay any tax owed to the state.

This amendment would expand JTIP eligibility, with the exception of the JTIP for Film & Multimedia programs, to out of state companies that have employees working in New Mexico.

The bill also includes updates in Section (C) related to the makeup of the board and updating the names of the state agencies that comprise the JTIP board.

FISCAL IMPLICATIONS

Due to high demand coupled with limited funding for the last three years, JTIP has been fully obligated mid-way through the fiscal year. The program does not currently have sufficient funds to support New Mexico companies that are hiring New Mexico workers, or for companies willing to locate in New Mexico and hire New Mexico workers. Expanding the eligibility for JTIP will increase the demand for a program that is already underfunded to include out of state companies. JTIP funding for FY17 is fully obligated, and according to the Economic Development Department, there is an additional backlog of \$11.5M in pending applications.

SIGNIFICANT ISSUES

The Economic Development Department provided the following significant issues:

- JTIP and all incentives of the New Mexico Economic Development Department (NMEDD) require a qualifying company must either be an existing New Mexico company, or a company that has located and established operations in New Mexico.
- This amendment would allow out of state companies to benefit from NM taxpayers' funds with little or no investment in New Mexico.
- JTIP currently has a backlog of \$11.5M in pending applications and is fully obligated. The backlog does not account for any additional projects that may be in development and have not yet been brought to the Department's attention. Expanding eligibility requirements could potentially drive the amount of funding requests even higher.
- The language does not specify what type of NM tax return the company is required to file.
- The amendment states that an out of state company that files a NM tax return, or will file a NM tax return could be eligible. The conjunction "or" in the new language (page 2, line 12) makes JTIP funds available to companies based upon an intent to hire NM workers in the future.
- Multi-state companies pay taxes based on a proportion of their plant, payroll and property. If the only expense is payroll, it is questionable whether the tax liability on the payroll would pay for the training of the remote worker.
- The original intent of the legislation was to assist New Mexico companies with the training of New Mexico workers. Allowing out of state companies that have not made any capital investment in New Mexico to benefit from taxpayer funds is not in alignment with the original intent of the legislation.

PERFORMANCE IMPLICATIONS

This could dramatically increase the number of applications submitted to NMEDD for JTIP.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

There is a relationship to HB147 which would also relax JTIP qualifications by reducing trainee residency requirements in certain cases.

TECHNICAL ISSUES

HB445 updates the “department of labor” to the “department of workforce solutions.” The bill fails to update “the executive director of the commission on higher education” to “the secretary [or representative] of the higher education department.”

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

JTIP funding would continue to be awarded to New Mexico companies, operating in New Mexico and training New Mexico workers for newly created jobs.

JM/jle/al