

LFC Requester:	Jacqueline Martinez
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**AGENCY BILL ANALYSIS
2017 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply: Date 2/11/17
Original **Amendment** **Bill No:** HB147
Correction **Substitute**

Sponsor: Rep. George Dodge, Jr. Representative Bill McCamley **Agency Code:** 924
Short Title: WORKFORCE TRAINING RESIDENCY REQUIREMENT **Person Writing** Christopher Ruskowski
Phone: _____ **Email** _____

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
6.700	6.700	Recurring and special	Workforce Development Training

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
n/a	n/a	n/a	n/a	n/a

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	500	500	500	1.500	recurring	Workforce Development Training

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB147 amends Section 21-19-7 NMSA 1978, Workforce Development Training (a.k.a. Job Training Incentive Program or JTIP). The amendment reduces the residency requirement for JTIP trainees when the training provided is for high wage jobs in certain locations of the state.

FISCAL IMPLICATIONS

The Job Training Incentive Program (JTIP) currently has a backlog of \$11.5M in pending applications and is fully obligated. The FY18 recommendation for appropriation is \$6.7M to Workforce Solutions (\$2M in recurring and \$4.7 in special appropriation funding). If the program receives the full recommendation, a gap of \$4.8M in requests will remain. The backlog does not account for any additional projects that might be in development. Expanding eligibility requirements could potentially drive the amount of funding requests even higher.

In fiscal year 2016, JTIP allocated \$13.5m to support 60 companies across New Mexico. By approving these projects the JTIP board was instrumental in training 2,238 workers, including 29 interns, at an average wage of \$18.04 per hour (\$37,523 per year). Thirteen projects were located in rural communities, where 121 workers were trained at an average wage of \$12.57 per hour (\$25,625 per year).

Each year, JTIP allocations substantially exceed expenditures. For the prior three years, JTIP has been fully obligated midway through the fiscal year and has had to turn down a large number of applications due to lack of fiscal resources. For the current 2016-2017 funding cycle, JTIP has a backlog in pending applications and has fully obligated all of the available monies.

The proposed change in residence requirements might result in an increase in funding requests, with no corresponding increase in funding included in the proposal. An analysis by Workforce Solutions staff identified \$0.5M in requests that were not funded by JTIP because the trainee was not a New Mexico resident. It is anticipated that the proposed amendment would increase the number of potential trainees.

SIGNIFICANT ISSUES

Section 21-19-7 NMSA 1978, Workforce Development Training (a.k.a. Job Training Incentive Program or JTIP) provides classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to 6 months in nonretail service sector businesses and in film and multimedia production companies. The program reimburses 50-75% of employee wages. Custom training at a New Mexico public educational institution may also be reimbursed.

HB147 broadens the scope of the original legislation by amending the residency requirement for trainees. In the existing version of the legislations, JTIP trainees are New Mexicans who have resided within the state for a minimum of one year at any time prior to the training. HB147 inserts a requirement that trainees be of legal status for employment.

HB147 removes the one year residency requirement for high wage jobs. The bill defines high-wage as \$60,000 per year for large municipalities and \$40,000 per year for small municipalities.

Trainees in this revision shall be guaranteed full-time employment with the contracted company upon successful completion of the training. One potential impact of HB147 is that new trainees in high-wage jobs would increase the tax base in the state. High-wage jobs naturally require a higher skill-set and more training than low-skill, entry-level positions. Supporting the creation of high-wage jobs could assist in building a highly skilled workforce over the course of time. This amendment would allow the companies to benefit for creating high-wage jobs if they are forced to recruit outside of New Mexico.

On the other hand, without the existing residency requirement, employers would not have an incentive to preferentially hire New Mexicans as trainees. In particular, young adults who attended high school in the state and later left the state for college would not receive preferential treatment for training in high wage jobs within the state. JTIP has the authority to define the reimbursement rates and could amend policy to reimburse non-resident trainees at a reduced reimbursement rate, thereby maintaining the preference for hiring and training New Mexicans.

PERFORMANCE IMPLICATIONS

None noted.

ADMINISTRATIVE IMPLICATIONS

Several other modifications are technical in nature (intended to clean-up or update language) and would not alter the existing program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None noted.

TECHNICAL ISSUES

The vocational education division of the public education department was renamed the College and Career Readiness Bureau (CCRB) several years ago. HB147 changes relevant references from “vocational education division” to “instructional support and vocational education division.”

The current industry training board representative from college and career readiness bureau is not the director, but rather the director's designee. HB147 would benefit by clarifying both the bureau name and the membership composition.

OTHER SUBSTANTIVE ISSUES

HB147 does not require JTIP recipients to establish residency in New Mexico. Current JTIP policy requires New Mexico residency. If one of the goals of the amendment is to increase the New Mexico tax base, it might be appropriate to require New Mexico residency, especially for employees who live close to the Texas border (which employees might otherwise prefer because it no state income tax).

HB147 defines high-wage as \$60,000 per year for large municipalities and \$40,000 per year for small municipalities. While large and small municipalities are clearly defined, the salary requirements are not tied to consumer price index or otherwise adjusted for inflation.

ALTERNATIVES

A reduced reimbursement rate for those trainees who do not meet the one-year residency requirement might be an appropriate alternative.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Current JTIP programs providing services to New Mexico residents on one year or more will continue under existing legislation. Trainees who have not lived within the state for at least one year prior to the start of the training program will not be eligible and the company will not receive reimbursement for training those individuals.

AMENDMENTS

None as of January 30, 2017.