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FISCAL IMPACT REPORT

SPONSOR <u>Montoya/Brown/Castellano/De La Cruz/Madrid</u>	LAST UPDATED _____ ORIGINAL DATE <u>2/14/24</u>
SHORT TITLE <u>Trade Education Assistance Act</u>	BILL NUMBER <u>House Bill 208</u> ANALYST <u>Jorgensen/Mercer Garcia/Liu</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$100,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bill 303, House Bill 5, House Bill 2.

Sources of Information

LFC Files

Agency Analysis Received From
 Higher Education Department (HED)
 University of New Mexico (UNM)
 New Mexico Independent Community Colleges (NMICC)

Agency Analysis was Solicited but Not Received From
 Workforce Solutions Department (WSD)

SUMMARY

Synopsis of House Bill 208

House Bill 208 allows HED to pay stipends to adult learners in trades programs for a period of up to two years in an amount not to exceed \$30 thousand per year. The bill requires that a stipend recipient earned a high school diploma or the equivalent at least two years ago, is a New Mexico resident, is participating in a trades program, and claims at least one dependent on the federal or state tax return. Trades programs eligible for stipends are those that train individuals to qualify for licenses or certificates of competence issued pursuant to the Construction Industries Licensing Act.

The bill appropriates \$100 million from the general fund to the newly created trades education assistance fund for the purpose of implementing the Trade Education Assistance Act in FY25 and subsequent fiscal years. The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

The appropriation of \$100 million contained in this bill is a nonrecurring expense to the general fund. Although this bill does not specify future appropriations, multiyear appropriations, particularly if used to fund services and those services perform well, create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring after the funding period.

The bill provides a definition of eligibility for the \$30 thousand stipend, requiring recipients to be a New Mexico resident that:

- Has a high school diploma or equivalent two years prior,
- Does not have a baccalaureate degree,
- Claims at least one dependent on their federal or state income tax return,
- Is not a dependent on another individual's federal or state income tax return, and
- Participates in an HED-approved trade education program to train individuals for licenses or certificates of competence issued pursuant to the Construction Industries Licensing Act.

According to the U.S. Census Bureau, in 2022, the estimated number of New Mexico residents with a high school diploma or equivalent, no college degree, and one or more persons under 18 in the household totaled about 242 thousand individuals. It is unclear how many of these individuals are currently seeking employment within the trades or participating in a trades program and are at least two years past high school graduation. As such, estimates in this analysis assume interest and demand in the trades are proportionate to the general workforce. Approximately 42.5 thousand employees are in the construction industry, or about 7 percent of New Mexico's workforce. According to WSD, New Mexico has a workforce shortage gap of 34.3 thousand employees.

Assuming 7 percent of the 34.3 thousand job openings are within the construction industries and an equivalent number of individuals participate in an approved trades program for construction, about 2,400 individuals could potentially become applicants for the stipend. At a rate of \$30 thousand per participant, the estimated costs of implementation could be as high as \$72 million.

SIGNIFICANT ISSUES

The bill provides a stipend of up to \$30 thousand per year for up to two years to qualified participants. There is no requirement for program participants to remain in the state during or after the training program. The bill allows HED to award six-month stipend awards for a period up to two years. The bill does not limit the number of training programs an individual can qualify for so that it may be possible for an individual to enter multiple training programs and receive multiple stipend awards.

According to Associated Builders and Contractors, a national trade association, total residential and nonresidential construction spending reached \$2 trillion in October 2023, a 10.7 percent increase from the same time the prior year. Nationally, the construction industry averaged more than 390 thousand job openings per month in 2022 and reported an unemployment rate of 4.6 percent. The association notes nearly a quarter of construction workers are older than 55 and

about 40 percent of new construction workers since 2012 have been entry-level laborers. In 2024, the industry will need to bring in more than 342 thousand new workers to meet construction demand, assuming spending growth slows.

PERFORMANCE IMPLICATIONS

While New Mexico’s unemployment rates have recovered to prepandemic levels, the share of the state’s working age population participating in the labor force is persistently low. Social services, economic development, tax rates, pension systems, industry, and virtually every other area of the state’s economy is impacted when fewer people work to support those who do not work and organizations struggle to find workers. According to the U.S. Bureau of Labor Statistics, low labor force participation is also associated with lower real per capita incomes. Typically, a high labor force participation rate (LFPR) reflects a healthy economy because a large portion of the economy is working or looking for work, and a high LFPR reflects a larger labor pool, making it easier to find workers.

In October 2023, the state’s LFPR was 57.4 percent, up from the pandemic low of 54 percent in April 2020. Yet, the state continues to lag the national LFPR of 62.7 percent, and New Mexico would need to add roughly 116 thousand workers to the labor force to reach the national average rate of participation. While New Mexico has a large proportion of older adults not in the labor force, the state also has a large population of prime working-age adults who are not working or looking for work. In New Mexico, an estimated 150 thousand men and women between the ages of 20 and 44 are not participating in the state’s labor force, meaning they are not working and not looking for work. In addition, an estimated 6,000 New Mexicans between the ages of 20 and 24 report on national surveys they are unemployed, meaning they are jobless and looking for work.

ADMINISTRATIVE IMPLICATIONS

HED would need to develop rules and administer the trades education assistance program. This will likely require one-time resources to promulgate rules and on-going support to administer the program. The potential number of program participants, and thus the additional staff required at HED is unknown.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill is related to House Bill 303 (workforce training stipend pilot program) and House Bill 5 (workforce development and apprenticeship fund). Additionally, there is funding currently included in the General Appropriation Act for similar programs including:

- \$20 million per year for three years for colleges to provide workforce training, apprenticeships and internships (GAA, Section 9, item 13; NEW)
- \$2 million per year for three years for IET programs at HED, which can be used to serve undocumented students (GAA, Section 9, item 14; NEW)
- \$2 million for three years for trades and career exploration at WSD for young adults (GAA, Section 9, item 4; NEW)
- \$600 thousand per year for three years to implement and evaluate youth re-employment, apprenticeship, and pre-apprenticeship programs targeted towards disengaged and disconnected young adults who are currently unemployed or at risk of being unemployed and are not currently enrolled in high school. (GAA, Section 9, item 5)

- \$5 million per year for registered apprenticeships on top of the existing \$3 million (House Bill 5; NEW)
- \$1 million recurring TANF to HED for IET programs (GAA, Section 4, existing program)
- \$6.7 million for job training incentive program at EDD (GAA, Section 4, existing program)
- \$12.6 million transferred from TANF to WSD

OTHER SUBSTANTIVE ISSUES

NMICC notes noncredit students are ineligible for federal financial aid and state financial aid, such as the Opportunity scholarship. The inability to pay for living expenses while training in a noncredit educational program is one of the reasons why students do not enroll or if they have enrolled, one of the reasons they drop out of their noncredit training program.

New Mexico's Regulation and Licensing Department's Construction Industries Division licenses roughly 16 thousand contracting businesses and more than 41 thousand certificate holders in 78 different licensing classifications. The department's Manufactured Housing Division regulates 1,594 active contractors and 128 salespersons.

CJ/RMG/SL/rl/ne