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## FISCAL IMPACT REPORT

SPONSOR Garratt ORIGINAL DATE 01/24/21  
 LAST UPDATED 02/16/21 HB 21

SHORT TITLE Public Works Project Contributions SB \_\_\_\_\_

ANALYST Jorgensen

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23		
Indeterminate			Recurring	Public Works Apprentice and Training Fund (PWAT)

(Parenthesis ( ) Indicate Revenue Decreases)

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

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$1,600- \$2,000	\$1,600- \$2,000	\$3,200- \$4,000	Recurring	DOT

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Transportation (DOT)

Department of Workforce Solutions (WSD)

### SUMMARY

#### Synopsis of Bill

House Bill 21 requires contractors on public street, highway, bridge, road, utility or maintenance contracts to make contributions to approved apprentice and training programs in New Mexico. Contractors on these projects were previously excluded from the contribution requirement. The result is all public works construction projects with a value over \$60 thousand will require the contractor to make contributions to approved apprentice and training programs.

HB21 also provides technical cleanup.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

## **FISCAL IMPLICATIONS**

Currently, contractors on covered public works projects pay an assessment of 60 cents per manhour worked to the WSD to support apprenticeship programs. WSD keeps a 15 percent administrative fee and distributes the other 85 percent to approved programs. In FY20, \$1,043.3 million was distributed to programs and WSD retained \$184 thousand.

DOT reports that contracts for federally funded construction projects included approximately 1.4 million manhours per year in FY19 and FY20. Based on a 60 cent per manhour contribution, the annual cost comes to over \$850 thousand per year. DOT estimates that when state projects are included, the total annual additional impact could be \$1.6 million to \$2 million per year. It is likely that contractors will add this additional cost into their bid amounts, increasing construction costs paid by DOT.

It is not known what the additional revenue from local transportation projects may be in addition to DOT projects.

WSD will receive additional revenues for projects that are currently exempt from contributing to the Public Works Apprenticeship and Training (PWAT) fund. WSD is unable to determine how much additional revenue will be generated by HB21.

## **SIGNIFICANT ISSUES**

The public works apprentice and training fund are administered by the WSD. Under federal Department of Labor regulations, WSD serves as the designated State Apprenticeship Agency (“SAA”) and is responsible for registering and overseeing the State’s apprenticeship programs and agreements and administering all federal apprenticeship grants. WSD is also tasked with promoting the state’s apprenticeship programs and opportunities and is the main point of contact for businesses and individuals interested in apprenticeships. Currently, there are 41 registered apprenticeship programs, serving 1,803 registered apprentices.

## **ADMINISTRATIVE IMPLICATIONS**

Expansion of the PWAT program to include all additional public work contracts would not impact the agency’s ability to administer the program. The additional funds would be used to strengthen and support the programs offered to the apprentices.

## **TECHNICAL ISSUES**

The legislation refers to the Labor Relations Division as the entity responsible for the administration of the PWAT program. WSD is currently transferring its apprenticeship program from the Labor Relations Division to the Employee Services Division.

## **OTHER SUBSTANTIVE ISSUES**

As the designated state SAA, WSD has the authority to:

1. Give final approval in all areas pertaining to the registration of apprenticeship programs and program standards;
2. Maintain a register and appropriate records of all apprentices and apprenticeship programs that have approval of the state apprenticeship agency;
3. Review the activities of apprenticeship programs;
4. Approve and keep record of registered apprentices and apprenticeship agreements;
5. Monitor apprenticeship programs, performance standards, and conduct quality assurance assessments and EEO compliance reviews;
6. Apply for recognition as a registration agency with the OA and maintain national requirements as determined in 29 CFR 29.13 for recognition as a registration agency; the SAA is subject to derecognition by the OA for failure to fulfill or operate in conformity with the requirements of CFR parts 29 and 30;
7. Serve as the registration agency for apprenticeship programs and apprentices;
8. Issue interim credentials to apprentices;
9. Issue certificates of completion to apprentices;
10. Coordinate linkages with the New Mexico workforce investment system;
11. Issue certifications;
12. Issue certificates of registration; and
13. Be the highest authority within the division where complaint appeals can be sent.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If HB21 is not enacted, an amendment to the Public Works Apprentice and Training Act will not be made and public works projects for street, highway, bridge, road, and utility or maintenance contracts with employers who elect not to participate in training will not be required to make contributions to apprentice and training programs.

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