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FISCAL IMPACT REPORT

SPONSOR	Sen. Padilla/Rep. Garratt	LAST UPDATED	
	Apprentice and Training Program	ORIGINAL DATE	1/31/25
SHORT TITLE	Contributions	BILL NUMBER	Senate Bill 24
		ANALYST	Garcia

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
DWS PWAT Fund	Indeterminate but minimal gain	At least \$3,500.0	At least \$3,500.0	At least \$3,500.0	At least \$3,500.0	Recurring	Public Works Apprentice and Training Fund

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Local Governments	Indeterminate but minimal	Up to \$1,000.0	Up to \$1,000.0	Up to \$2,000.0	Recurring	Local Governments
GSD	Indeterminate but minimal	At least \$500.0	At least \$500.0	At least \$1,000.0	Recurring	General Fund
NMDOT	Indeterminate but minimal	At least \$2,000.0	At least \$2,000	At least \$4,000	Recurring	Other state funds
WSD	No fiscal impact	\$25	No fiscal impact	\$25	Nonrecurring	Other state funds
Total	Indeterminate but minimal	At least \$3,525	At least \$3,500	At least \$7,025	Recurring	Choose an item.

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

Sources of Information

LFC Files

Agency Analysis Received From
 Workforce Solutions Department (WSD)
 Regulation and Licensing Department (RLD)
 General Services Department (GSD)
 Department of Transportation (NMDOT)

Agency Analysis was Solicited but Not Received From
 New Mexico Association of Counties
 New Mexico Municipal League

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from all requested agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 24

Senate Bill 24 (SB24) amends Section 13-4D-4 NMSA 1978, the “Public Works Apprentice and Training Act,” to remove the exclusion of street, highway, bridge, road, utility, or maintenance contracts from public works projects that require employers to make contributions to apprentice and training programs.

The effect of the bill is that all public works construction contractors will be required to make contributions to the public works apprentice and training fund administered by the Workforce Solutions Department (WSD).

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Under the Public Works and Apprenticeship Training (PWAT) Act, employers who are engaged in public works construction projects are required to either sponsor apprenticeships or contribute to the public works apprentice and training fund, based on the wages of employees. Rules adopted by WSD set this contribution rate at 60 cents per labor hour. SB24 would remove existing exemptions for projects that fall solely under “Type A: Street Highway, Utility, and Light Engineering.” If this exemption is removed, the contributions to the public works apprentice and training fund will increase, providing additional revenue for apprenticeship and training funds administered by WSD, but it will also increase the costs of previously exempted construction projects.

Local Government

Local governments would likely see cost increases. According to U.S. Census Bureau data, local governments account for roughly 30 percent of total highway spending, while the state accounts for roughly 70 percent. In 2023, LFC estimated a cost of \$900 thousand for local governments for of a similar bill; this analysis assumes a cost of up to \$1 million for local governments.

General Services Department

The General Services Department (GSD) uses contractors for construction projects. In the analysis submitted for this bill, the agency noted contractors may be subject to the bill, but GSD will experience no direct fiscal impact. However, it is likely GSD contracting costs for construction projects will increase because of this bill, impacting GSD’s operating costs. In analysis for a similar bill in 2023, LFC estimated increases to state maintenance contracts of up to \$500 thousand annually and uses that estimate in this analysis.

Department of Transportation

NMDOT notes any increased costs to contractors will be passed on to NMDOT. However,

NMDOT cannot precisely assess the fiscal impact of the bill because NMDOT does not pay contractors an hourly rate.

NMDOT reported 1.8 million labor hours in FY21 and 1.6 million labor hours in FY22. If the cost had been passed on directly to NMDOT at a rate of 60 cents per hour, this bill would result in additional annual costs ranging between \$983 thousand and \$1.1 million. This analysis assumes a cost of at least \$2 million annually to NMDOT in the state's Road Fund.

In the analysis WSD submitted for SB24, the department noted the state has made significant investments in road projects and the estimates provided by NMDOT for the 2023 fiscal impact report would need to be updated to provide a more precise estimate of potential fiscal impacts.

Workforce Solutions Department (WSD)

To implement this bill, WSD reports the agency would need to add functionality to the electronic PWAT management system to allow Type A projects into the online system for public works projects. WSD estimates a one-time cost of \$25 thousand to make this system enhancement and reports the ability to use the administrative share allowed in PWAT for this purpose.

SIGNIFICANT ISSUES

Currently, PWAT exempts street, highway, bridge, road, utility, or maintenance contracts from contributing to apprentice and training programs administered by WSD. SB24 will require all contractors, not just building trades contractors, performing construction and maintenance work to:

- Contribute to the public works apprentice and training fund for each hour of labor provided;
- Have unpaid contributions withheld for nonpayment; and
- Be excluded from bidding on future public works projects if noncompliant.

NMDOT notes the Act previously exempted heavy highway contractors; SB24 would require these contractors to contribute to the public works apprentice and training fund. Many of these contractors are already subject to federal on-the-job training obligations, reports NMDOT. Additionally, NMDOT contractors participate in the New Mexico Technician Training and Certification Program (TTCP) with the Associated Contractors of New Mexico. The TTCP provides testing and certification services and associated documentation to ensure that all materials and highway projects are properly measured and evaluated in accordance with national standards for transportation construction. The TTCP training programs are specifically designed for highway construction and are not duplicated by or a part of the WSD apprentice training, which generally applies to building trades.

Apprenticeship programs combine paid on-the-job training with related classroom instruction, aiming to prepare individuals for skilled occupations. Federal funding is available to support registered apprenticeship programs, distributed through the (WSD), and eligible employers may receive funding to reimburse a portion of the apprentices wages. Registered apprenticeship programs must meet standards established by the U.S. Department of Labor. Apprenticeships range between one year and five years in length and typically receive a minimum of 2,000 hours of on-the-job training and 144 hours of related classroom instruction. According to the WSD, more than 50 apprenticeship programs operate in New Mexico.

Statute allows for distributions from public works apprentice and training fund for approved apprenticeship and training programs in New Mexico. While several other funding sources for apprenticeships exist, the public works apprentice and training fund is focused on the construction and building industries and provides a per-apprentice distribution.

The PWAT program provides costs of the apprenticeship program, totaling \$1.9 million in FY24, and the distribution rate is subject to the availability of funds. WSD distributed \$1,700 per apprentice in FY24 and \$1,729 per apprentice in FY23.

Legislation passed during the 2024 legislative session created the workforce development and apprenticeship trust fund and appropriated \$30 million to the fund, which will distribute \$5 million, evenly split between PWAT and Apprenticeship Assistance Act programs in FY25 and FY26. With this increase to the PWAT, WSD projected per-apprentice distributions would increase in FY25 and FY26.

ADMINISTRATIVE IMPLICATIONS

Public works project owners will need to ensure contractors have not been disqualified from bidding based on non-compliance with the apprentice and training contribution requirement. It may be challenging for some agencies to monitor contributions made pursuant to small maintenance contracts, particularly for those below the \$60 thousand limit that would require the agency to go out for competitive bidding.

In analysis submitted by WSD for a similar bill filed in 2024, WSD reported the department does not currently require reporting from public works contractors that would be included in PWAT and is unable to estimate the share of contractors that would opt to pay into the fund, as opposed to hosting their own apprenticeship program.

TECHNICAL ISSUES

NMDOT notes that removing the exemption applicable to street, highway, bridge, road, utility, or maintenance contracts may conflict with Section 13-4D-3(A) NMSA 1978 which defines the approved training programs as applying to “building trades” recognized by the U.S. Department of Labor Bureau of Apprenticeship and Training or the New Mexico Apprenticeship Council.

OTHER SUBSTANTIVE ISSUES

WSD notes Executive Order 2024-152 requires state agencies to collaborate to develop a “climate-ready” workforce and set a goal of training two thousand workers in climate-ready professions by the end of 2026. This executive order includes transportation construction industries, and WSD has identified construction and infrastructure development as priority sections for workforce development. While this bill would result in additional costs for state infrastructure projects, the revenue generated for apprenticeship and training programs would be used to develop apprenticeships to fill gaps in the existing workforce.