

LFC Requester:

Gaussoin

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://agencyanalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)*****(Analysis must be uploaded as a PDF)*****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}***Date Prepared: -** 1/20/2026*Check all that apply:***Bill Number:** HB7Original X Correction     Amendment      Substitute     **Agency Name****and Code**337 – State Investment Council**Number:****Sponsor:** Garratt**Short** Apprenticeship Assistance Act**Person Writing** McBurney/Iglesias**Title:** Transfers**Phone:** 505-709-5790 **Email** Brooke.mcburney@sic.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$1,000.0	\$1,000.0	Recurring	Workforce Solutions Department

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
--	\$1,000.0	\$1,000.0	Recurring	Public Works Apprentice and Training Fund
--	\$1,000.0	\$1,000.0	Recurring	Workforce Solutions Department
--	\$(2,000.0)	\$(2,000.0)	Recurring	Workforce Development and Apprenticeship Trust Fund

(Parenthesis ( ) indicate revenue decreases)

**SECTION III: NARRATIVE****BILL SUMMARY**Synopsis:

House Bill 7 amends annual distribution of the existing Workforce Development and Apprenticeship Trust Fund (WDAF) from \$3 million/year to \$5 million/year. The bill also removes

the Tobacco Settlement Permanent Fund from the list of reserve funds that would need to be exhausted in order to tap the WDAF in the event of general fund revenue downturn.

This bill has no effective date; however, the bill changes would affect distribution amounts beginning in FY27 (July 1, 2026).

## **FISCAL IMPLICATIONS**

The Workforce Development and Apprenticeship Trust Fund (WDAF) was seeded with a \$30 million appropriation in July 2024.

The fund was originally created to distribute \$5M the first two years (\$2.5 million for the public works apprentice and training fund and \$2.5 million to the workforce solutions department for FY25 and FY26), then stepping down to \$3M/year starting in FY27 (\$1.5M to the training fund and \$1.5M to WSD).

Distributions to the training fund are subject to legislative appropriation, while the distribution to WSD is automatically appropriated to the department to carry out the Apprenticeship Assistance Act.

This bill seeks to keep the distributions from the WDAF at \$5M/year (\$2.5M to the training fund and \$2.5M to WSD) into perpetuity. This would potentially allow the training fund and the department to continue operations at current levels, rather than needing to scale back to accommodate smaller future distributions from the trust fund.

The table below illustrates the projected fiscal impact of this change. Since the fund does not receive recurring inflows, a higher distribution amount would result in a faster depletion of the original endowment.

WDAF Ending Balance (\$MM)			Total WDAF Distribution (\$MM)			
CY	Current Law	HB7	FY	Distrib. Date	Current Law	HB7
2024	\$26.0	\$26.0	FY24	Jul-23	\$0.0	\$0.0
2025	\$22.8	\$22.8	FY25	Jul-24	\$5.0	\$5.0
2026	\$20.9	\$18.9	FY26	Jul-25	\$5.0	\$5.0
2027	\$18.9	\$14.7	FY27	Jul-26	\$3.0	\$5.0
2028	\$16.8	\$10.4	FY28	Jul-27	\$3.0	\$5.0
2029	\$14.6	\$5.8	FY29	Jul-28	\$3.0	\$5.0
2030	\$12.3	\$0.9	FY30	Jul-29	\$3.0	\$5.0
2031	\$9.9	\$0.0	FY31	Jul-30	\$3.0	\$5.0
2032	\$7.1	\$0.0	FY32	Jul-31	\$3.0	\$0.9
2033	\$4.3	\$0.0	FY33	Jul-32	\$3.0	\$0.0
2034	\$1.4	\$0.0	FY34	Jul-33	\$3.0	\$0.0
2035	\$0.0	\$0.0	FY35	Jul-34	\$3.0	\$0.0
2036	\$0.0	\$0.0	FY36	Jul-35	\$1.4	\$0.0
2037	\$0.0	\$0.0	FY37	Jul-36	\$0.0	\$0.0

Under current market conditions and assuming no additional infusion of monies into the trust fund, we expect the WDAF to continue making annual distributions of \$3M/year through FY35, and the balance of fund reaching \$0 by the end of 2035. This assumes a 5.1% expected annual rate of return, as estimated in our general consultant RVK's 2025 asset allocation study.

Under the same assumptions, the fund may only be able to sustain distributions of \$5M/year, as contemplated in HB7, through FY31, with the fund reaching depletion 4 years sooner than with a smaller annual distribution rate.

It is important for the Council as manager of the Trust Fund to properly understand the long-term goals and risk/return appetite of the fund's "client" to appropriately allocate the funds in question. In this case, we would suggest the Secretary for the Workforce Solutions Department would be properly consulted in this regard, and could replace the state treasurer (page 2, line 5), who will already be involved in the management process around the Trust Fund due to her ex-officio role on the State Investment Council.

## PERFORMANCE IMPLICATIONS

The State Investment Officer, with the approval of the State Investment Council would manage the WDAF in accordance with the Uniform Prudent Investor Act and seek to ethically optimize risk-adjusted returns and grow the fund over time.

As such, the Council has adopted a preservation-focused asset allocation for this fund, holding the current year's distribution amount in cash, the next years distribution amount in short-duration fixed income, and the remainder is split 50/50 between other public market and private market fixed income securities.

Therefore, we would not expect the HB7-proposed change in distribution rate to affect the asset allocation. However, it could reduce the long-term expected return of the fund, since the larger distribution amounts would be held in cash and short-duration securities, leaving less potential for returns from higher-earning asset classes, such as private debt.

## TECHNICAL ISSUES

Section 1-A, unchanged by this bill, originally created the fund within the state treasury; however, it did not specify the fund as nonreverting, creating a conflict between existing statute and current practice. To align statute with the fund's function as an investment income-earning trust fund, we recommend the following amendment:

A. The "workforce development and apprenticeship trust fund" is created as a nonreverting fund within the state treasury. The fund consists of distributions, appropriations, gifts, grants and donations. Income from investment of the fund shall be credited to the fund. Money in the fund shall be expended only as provided in this section.

Section 1-B(2), unchanged by this bill, requires that the state investment officer invest the WDAF in consultation with the state treasurer. This was legacy bill language used when the fund was originally created that was inadvertently copied over from statutory language governing the Tax Stabilization Reserve (Section 6-4-2.2 NMSA 1978). Because the State Treasurer sits on the State Investment Council, and is already consulted on the fund's asset allocation, there is no particular reason to require special consultation with the treasurer in managing the WDAF. Instead, we would suggest amending this section of statute to instead require consultation with the Secretary of the Workforce Solutions Department.

B. The state investment officer, subject to the approval of the state investment council, shall invest money in the workforce development and apprenticeship trust fund:

- (1) in accordance with the prudent investor rule set forth in the Uniform Prudent Investor Act; and
- (2) in consultation with the secretary of workforce solutions.