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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 7

SHORT TITLE: Apprenticeship Assistance Act Transfers

SPONSOR: Reps. Garratt, Cates, and Chandler/Sens. Padilla and Woods

LAST ORIGINAL
UPDATE: _____ **DATE:** 01/21/2026 **ANALYST:** Gygi

APPROPRIATION* (dollars in thousands)

| FY26 | FY27 | Recurring or Nonrecurring | Fund Affected |
|------|-----------|---------------------------|---|
| | \$2,000.0 | Recurring | Workforce Development and Apprenticeship Trust Fund |

*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

| Type | FY26 | FY27 | FY28 | FY29 | FY30 | Recurring or Nonrecurring | Fund Affected |
|---------------------|------|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---|
| Investment Earnings | | Indeterminate but negative | Indeterminate but negative | Indeterminate but negative | Indeterminate but negative | Recurring | Workforce Development and Apprenticeship Trust Fund |

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| Agency/Program | FY26 | FY27 | FY28 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|----------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| | See "Fiscal Implications" | See "Fiscal Implications" | See "Fiscal Implications" | See "Fiscal Implications" | Recurring | Other state funds |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

State Investment Council

Workforce Solutions Department

SUMMARY

Synopsis of House Bill 7

House Bill 7 (HB7) amends the statutory annual distribution for FY27 and subsequent years from the existing workforce development and apprenticeship trust fund (WDAF). The annual distribution is currently scheduled to drop from \$5 million to \$3 million per year. HB7 would maintain the current \$5 million annual distribution. The bill also removes the tobacco settlement permanent fund from the list of reserve funds that would need to be exhausted before funds could be drawn from the WDAF for general use in the event of a general fund revenue downturn.

The Legislature created the WDAF in 2024 and appropriated \$30 million to the fund. Subject to availability of funds, current statute specifies distributions totaling \$5 million in FY25 and FY26, decreasing to \$3 million in subsequent years. Furthermore, the Legislature is authorized to tap the fund in the event of a general fund deficit if certain other reserve funds are exhausted. Distributions from the WDAF are evenly split between the public works and apprenticeship training fund (PWATF) and Apprenticeship Assistance Act programs. HB7 would maintain distributions at current levels, potentially allowing the training fund and the department to continue operations at current levels until the fund is depleted.

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

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a recurring expense to the WDAF.

As of the end of November 2025, the WDAF portfolio consists of about \$3 million in cash and equivalents, \$11.3 million in public markets, and \$8.3 million in private markets. (See table below.) The State Investment Council (SIC) reports a higher distribution amount would result in a faster depletion of the original endowment because the fund does not receive recurring inflows. SIC expects the fund can sustain distributions of \$5 million per year through FY31, reaching depletion four years sooner than with the current smaller annual distribution rate. Further, SIC expects a negative impact on long-term investment returns.

Workforce Development & Apprenticeship Trust Fund (CP)**Portfolio Policy Report**

November 30, 2025

| Investment | Balance | Weight | Long Term Target | Difference |
|---------------------------------------|-------------------|----------------|------------------|---------------|
| Cash and Equivalents: | | | | |
| WDATF Accruals | 8,972 | 0.04% | | |
| WDATF Cash Account | 2,999,973 | 13.25% | | |
| Cash and Equivalents | 3,008,945 | 13.29% | 17.00% | -3.71% |
| Public Market Strategies: | | | | |
| Credit Plus Pool | 8,308,718 | 36.70% | | |
| Short Term Duration Fixed Income Pool | 3,014,078 | 13.31% | | |
| Public Market Strategies | 11,322,796 | 50.02% | 50.00% | 0.02% |
| Private Market Strategies: | | | | |
| Private Debt Market Pool | 8,306,772 | 36.69% | | |
| Private Market Strategies | 8,306,772 | 36.69% | 33.00% | 3.69% |
| Total | 22,638,512 | 100.00% | 100.00% | - |

Source: SIC Investment Holdings Report

WADF Depletion, Current Law Compared with Proposed Changes

| 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 |

Assumptions: Current market conditions, no additional infusions of monies; expected 5.1 percent annual rate of return.

SIGNIFICANT ISSUES

The Workforce Solutions Department (WSD) states it will not be able to continue to operate and support apprenticeship programs in FY27 at current levels without the additional funds from the WADF. The department reports the fund has had a strong positive impact on apprenticeship in New Mexico:

- As of January 13, 2026, there were 2,754 active apprentices, up from 2,542 at the end of 2024.
- The distribution per apprentice under the Public Works Apprenticeship and Training

(PWAT) more than doubled between FY24 and FY26, from \$1,701 to \$3,508.

- The per instructional hour distribution for increased from \$2.02 per hour in FY24 to \$11.02 per hour in FY26, more than a fivefold increase.

The additional appropriations for apprenticeships from the trust fund have primarily been used to increase the per-apprentice payments rather than increase the number of funded apprenticeships. In addition to these state funding sources, apprenticeship programs at WSD are supported by federal funding.

TECHNICAL ISSUES

SIC recommends amending current statute, adding language to:

- 1) Designate WDAF as a nonreverting fund, to align with the fund's function as an investment income-earning trust fund.
- 2) Require consultation with the secretary of the Workforce Solutions Department regarding approval of investments, rather than the State Treasurer. As SIC points out, the treasurer already has an ex officio role on the council.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Funding for apprenticeship programs will decrease in FY27 due to the decreased distributions currently in statute.

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