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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 77

SHORT TITLE: Apprentice & Training Program Contributions

SPONSOR: Sen. Padilla/Rep. De La Cruz

LAST ORIGINAL
UPDATE: 02/09/26 **DATE:** 02/04/26 **ANALYST:** Gygi/Malone

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Contractor contributions	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	FY26	FY27	FY28	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	Road Fund
RLD	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	N/A	N/A
WSD	No fiscal impact	\$25.0-\$250.0	No fiscal impact	At least \$25.0	Nonrecurring	PWAT
Total	Indeterminate but minimal	At least \$3,525.0	At least \$3,500.0	At least \$7,025.0	Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 7 and House Bill 270

Relates to an appropriation in the House Appropriations and Finance Committee substitute for House Bills 2 and 3 (General Appropriation Act)

Sources of Information

LFC Files

Agency Analysis Received From
 Workforce Solutions Department
 Regulation and Licensing Department

Agency Analysis was Solicited but Not Received From
 General Services Department

Department of Transportation
New Mexico Association of Counties
New Mexico Municipal League

SUMMARY

Synopsis of Senate Bill 77

Senate Bill 77 (SB77) 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.

A new subsection C would create an exception that would result in no contribution being assessed if certain jobs within a project are not “apprenticeable.”

The provisions of Subsection B of this section shall not apply to public works construction projects involving a craft or trade that is not recognized as apprenticeable by the office of apprenticeship of the employment and training administration of the United States department of labor or the apprenticeship council.

The effective date of this bill is July 1, 2026.

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. SB77 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 would increase, providing additional revenue for apprenticeship and training funds administered by WSD. While elimination of the exemption would increase revenue, the net increase is potentially tempered by the inclusion of a new exemption for jobs that are not apprenticeable (see Technical Issues, below). SB77 would correspondingly increase the costs of previously exempted construction projects. This analysis assumes that the new monies from additional contractor contributions to PWAT proposed by SB77 equal the estimated cost increases for local governments and state agencies explained below.

LOCAL GOVERNMENTS AND STATE AGENCY IMPACTS

Local governments and state agencies would likely see cost increases because contractors would pass on cost increases associated with PWAT contributions to their customers. 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 a similar bill; this analysis assumes a cost of up to \$1 million for local governments.

Only two state agencies provided analysis for SB77: the Workforce Solutions Department

(WSD) and the Regulation and Licensing Department (RLD). The impacts reported below for local governments and the other agencies reflect LFC’s 2025 analysis for a similar bill. Federal funding from the Bipartisan Infrastructure Law increased the number and size of Type A projects post pandemic. At the same time, construction costs were highly volatile due to fluctuating materials prices, workforce shortages, and lack of bidder competition. The Federal Highway Administration estimated a 9.6 percent annual increase for 2024 over 2023.¹ Costs are now less volatile and the level of construction activity has likely slowed as the federal infrastructure monies have been spent. Thus, the 2025 figures are used to estimate costs should SB77 be enacted.

General Services Department. The General Services Department (GSD) uses contractors for construction projects. In the analysis submitted in 2025, the agency noted contractors may be subject to the bill, but GSD would experience no direct fiscal impact. However, it is likely GSD contracting costs for construction projects would increase should SB77 be enacted, impacting GSD’s operating costs. LFC estimates increases to state maintenance contracts of at least \$500 thousand annually.

Regulation and Licensing Department. SB77 is not anticipated to have any significant fiscal or operational impact on the Construction Industries Division of the Regulation and Licensing Department (RLD) or other divisions of the department.

Department of Transportation. Although the Department of Transportation (NMDOT) did not provide analysis for SB77, the department provided analysis of similar legislation in 2025. In that analysis, NMDOT noted that any increased costs to contractors would be passed on to department. However, NMDOT cannot precisely assess the fiscal impact of the bill because the department does not pay contractors an hourly rate. NMDOT reported 1.8 million labor hours in 2021 and 1.6 million labor hours in 2022. The cost, if passed on directly to NMDOT at a rate of 60 cents per hour, would have ranged between \$983 thousand and \$1.1 million. The 2025 analysis estimated \$2 million as the full impact on its operations, and. this analysis incorporates that estimated impact on the state’s road fund..

Workforce Solutions Department. To implement SB77, 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. However, the department notes the extent of the technology system changes and costs would increase if the current language in Subsection C is not addressed (see Technical Issues below). The current system would not facilitate a different contribution rate to be assigned on a “job-by-job” basis. Expected costs without an amendment could be up to \$250 thousand.

SIGNIFICANT ISSUES

Currently, PWAT exempts street, highway, bridge, road, utility, or maintenance contracts from contributing to apprentice and training programs administered by WSD. SB77 would require all

¹ Sources: Federal Highway Administration national highway construction cost index, Q1 2024, most recent available. Reported by ConstructConnect News and Eno Center for Transportation.

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 except for crafts or trades that are not apprenticeable;
- Have unpaid contributions withheld for nonpayment; and
- Be excluded from bidding on future public works projects if noncompliant.

In its 2025 analysis of a similar bill, NMDOT noted many of the contractors who are exempt from PWAT contribution requirements already 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 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 WSD, more than 50 apprenticeship programs operate in New Mexico.

WSD suggests SB77's proposed exemption for non-apprenticable jobs would have little effect:

Examining the existing wage rates for Type A projects, most if not all of those trade classifications are associated with apprenticeships, because of the way they are framed in the wage rates. For example, the construction craft laborer apprenticeship would apply to the laborer categories, which likely include the strippers and flaggers often mentioned in debates of previous iterations of the bill.

PERFORMANCE IMPLICATIONS

Statute allows PWAT distributions for approved apprenticeship and training programs in New Mexico. The training fund is focused on the construction and building industries and provides a per-apprentice distribution. Beginning in FY25, the workforce development and apprenticeship trust fund makes annual distributions to PWAT, roughly doubling the funding available for apprenticeships.

WSD reports the trust fund has had a strong positive impact on apprenticeships in New Mexico:

- As of January 13, 2026, there were 2,754 active apprentices, up from 2,542 at the end of 2024.
- The PWAT distribution per apprentice 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.

ADMINISTRATIVE IMPLICATIONS

WSD publishes hourly wage and fringe rates each year for public works projects and contracts greater than \$60 thousand. Statute (Section 13-4-11 NMSA 1978) requires the rates be determined by October 1 to take effect the next January. These rates are based on the rates for similar classifications of laborers and mechanics in local collective bargaining agreements. The so-called “prevailing wage” varies by job classification and includes hourly base and fringe rates for Type A workers, with an additional apprenticeship rate of 60 cents for other worker classifications explicitly broken out in WSD’s wage rate publications. If SB77 passes, Type A contractors would need to show that they are paying the 60 cents per person-hour to an approved apprenticeship program of their choice or to the PWAT, as is required by statute for other worker classifications (see Section 13-4D-4 NMSA 1978).

In WSD’s 2025 analysis for a similar bill, the department reported it does not currently require reporting from public works contractors that would be included in PWAT. Thus, it is unable to estimate the share of contractors that would opt to pay into the fund, as opposed to hosting their own apprenticeship program.

Public works project owners would need to ensure contractors have not been disqualified from bidding based on noncompliance 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.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The House Appropriations and Finance Committee substitute for House Bills 2 and 3 (General Appropriation Act) includes a \$10 million appropriation to the workforce development and apprenticeship trust fund (WDAF), which makes annual statutory distributions to PWAT.

Senate Bill 77 is similar to House Bill 270, which would also remove the exemption for Type A projects but sets a contribution of zero for any trade classification for which there is no approved apprentice and training program. This exception addresses the technical concerns raised by WSD for SB77.

Senate Bill 77 relates to House Bill 7, which would maintain current distributions from WDAF to PWAT at \$2.5 million per year until the corpus is depleted, rather than the distribution decreasing to \$1.5 million per year beginning in FY27 as statute currently dictates.

Senate Bill 77, is similar to Senate Bill 24, House Bill 4, and House Bill 46 introduced in 2025, 2024, and 2023, respectively. All these bills died.

TECHNICAL ISSUES

WSD notes the language of Subsection C in this draft would carve out an entire project if it involves any trade that does not have a registered apprenticeship program.

That is because the language says that apprenticeship contributions “shall not apply to public works construction projects...” as opposed to just excluding certain trade classifications. Subsection C should clarify that it applies only to “Type A public works construction projects” or to “street, highway, bridge, road, utility or maintenance public works construction projects.” In addition, because the term “approved apprentice and training program” is already defined in 13-4D-3 to encompass programs that are federally registered or registered in NM, that term should be used in Subsection C (“... a craft or trade that is not included in an approved apprentice and training program.”).

In its 2025 analysis, NMDOT noted removing the exemption for Type A projects 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

In 2024, the Legislature created the workforce development and apprenticeship trust fund (WDAF) and seeded it with \$30 million. Subject to availability of funds, current statute specifies distributions totaling \$5 million in FY25 and FY26, decreasing to \$3 million in subsequent years. The distributions are evenly split between the PWAT and Apprenticeship Assistance Act programs. At the end of FY25, the PWAT fund balance was about \$5 million, with inflows of \$2.4 million that year from required contractor contributions and \$2.5 million from WDAF.

As of the end of November 2025, the trust fund 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.) Although scheduled for reduction to \$3 million beginning in FY27 in existing statute, House Bill 7—currently under consideration by the Legislature—would maintain distribution levels going forward. The State Investment Council (SIC) reports, because the fund does not receive recurring inflows, it will reach depletion by the end of FY31 at current distribution levels. As noted above, the House version of the General Appropriation Act includes a \$10 million appropriation to WDAF to provide solvency for several additional years.

ALTERNATIVES

WSD proposes the following alternative to the proposed exception in Subsection C:

If the sponsors are looking to mitigate the financial impact to Type A projects, it might be easier to establish a reduced rate of contribution for Type A projects. For example, the new Subsection C could say that the Type A contribution rate shall be 50 percent of the contribution rate established for Type B projects (general building).

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