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## FISCAL IMPACT REPORT

**SPONSOR** Sanchez **ORIGINAL DATE** 02/24/21  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_  
**SHORT TITLE** Minor Apprentice Workers' Comp **SB** 414  
**ANALYST** Bachechi

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$200.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Workforce Solutions Department (WSD)

Workers' Compensation Administration (WCA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 414 appropriates \$200 thousand from the general fund to Workforce Solutions Department to provide workers' compensation insurance assistance to employers of minor apprentices. The appropriation is for expenditure in fiscal year 2022 and subsequent fiscal years. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

SB 414 creates a new section of the apprenticeship statute<sup>1</sup> that allows employers to apply to the labor relations division (LRD) of the workforce solutions department (WSD) for payment assistance for workers' compensation (WC) insurance for up to two minor apprentices.<sup>2</sup> LRD must pay 80 percent of those costs to employers that comply with application and confirmation procedures which are to be adopted by the state apprenticeship council (AC). The state director of apprenticeship and the superintendent of insurance are required to collaboratively examine employer options for insuring minor apprentices and report any recommended statutory changes to the Legislative Education Study Committee by November 30, 2021.

The effective date of the bill is July 1, 2021.

<sup>1</sup> NMSA 1978, §§ 50-7-1 to 50-7-7.

<sup>2</sup> "Minor apprentices" are defined as apprentices less than 18 years of age. SB 414, Section 1(E).

## **FISCAL IMPLICATIONS**

The appropriation of \$200 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of each fiscal year shall not revert to the general fund.

## **SIGNIFICANT ISSUES**

WSD contends it is not the appropriate agency to support the objectives of this bill and asserts the Workers Compensation Administration (WCA) would be the more appropriate agency to implement the requirements of this bill. However, WSD is the State Apprenticeship Agency (SAA) for New Mexico, responsible for apprenticeship design, development and oversight within the state, include ensuring quality of registered apprenticeship programs and promoting industry driven training.

New Mexico is expanding the development and implementation of registered and non-registered apprenticeship to improve access to work-based training as a career pathway option for job seekers. There are currently 37 registered apprenticeship programs in New Mexico with approximately 1,780 apprentices; the majority of registered apprenticeship programs are in the building and construction trades. Apprenticeships have been shown to increase both earnings and employment. National research has shown that these types of programs lead directly to labor market employment, aligns training with changing workplace needs, and typically shows higher rates of initial employment. Efforts are underway to expand the number and type of apprenticeship programs statewide. WSD was awarded an \$815 thousand Apprenticeship State Expansion Grant (ASE) from the U.S. Department of Labor for a period of July 1, 2019 through June 30, 2022 to support statewide apprenticeship expansion. Healthcare and hospitality/food service industries will be the primary targeted industries planned for this expansion, along with continued efforts to expand participation in existing registered apprenticeship programs.

Currently there are no “minor” registered apprentices in the state and all currently registered apprenticeship program sponsors require individuals to be at least 18 years of age to be accepted into an apprenticeship program. The Department of Labor provides guidance on starting successful high school (HS) apprenticeship programs that combine work-based, on-the-job learning with relevant technical education in the classroom. Students who participate in these programs graduate with a high school diploma, earn college credits, and industry credentials. They also start on a career path that continues after high school graduation – whether that is a continuation of their apprenticeship along with college, college only, apprenticeship only, or other full-time employment. High school apprenticeships benefit businesses as well by providing a fresh source of talent developed from within their community. Strong partnerships among high schools and colleges, businesses, students and parents, and other community organizations are vital to successful HS apprenticeships. Each partner has a key role to play – and each supplies resources needed for high-quality programs.

## **TECHNICAL ISSUES**

Section 52-1-16 (NMSA 1978) includes a definition of “worker” that includes an apprenticeship with an employer. Thus, the Workers’ Compensation Act includes the requirement that employers obtain workers’ compensation insurance for apprentices, assuming the employer otherwise is required to have workers’ compensation insurance.