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FISCAL IMPACT REPORT

SPONSOR <u>Gonzales/Garratt/Dixon/Brown</u>	LAST UPDATED _____ ORIGINAL DATE <u>2/27/25</u>
SHORT TITLE <u>Study Career & Tech Education</u>	BILL NUMBER <u>House Bill 433</u>
	ANALYST <u>Liu</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$100.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bills 64, 130, 343 and 345, and House Bill 560

Relates to appropriations in the HAFC Substitute for House Bills 2&3

Sources of Information

LFC Files
 Legislative Education Study Committee (LESC) Files
 U.S. Department of Education (USDE)

Agency Analysis Received From
 Higher Education Department (HED)
 Public Education Department (PED)
 Department of Workforce Solutions (WSD)

SUMMARY

Synopsis of House Bill 433

House Bill 433 (HB433) appropriates \$100 thousand from the general fund to the Higher Education Department (HED) for a study of career and technical education (CTE) courses and CTE instructors in New Mexico, with a focus on workforce development, and in collaboration with the Public Education Department (PED), Workforce Solutions Department (WSD), and Legislative Education Study Committee (LESC). The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

The appropriation of \$100 thousand contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the general fund. Provisions of this bill require involved agencies to study CTE programs and instructors, which is already a part of the normal operations of the group. As such,

additional costs beyond the \$100 thousand appropriation are assumed to be covered within existing budgets.

SIGNIFICANT ISSUES

The federal Strengthening Career and Technical Education for the 21st Century Act (also known as Carl D. Perkins V) provides federal funding for CTE programs and activities through the state, schools, and higher education institutions. In FY25, PED distributed \$5.5 million in Carl D. Perkins V funds to school districts and charter schools. To continue receiving federal Perkins funding, federal law requires states to maintain the same level of fiscal effort (maintenance of effort) per student, or in aggregate expenditures statewide, each fiscal year. According to USDE, in FY23 there were 22.2 thousand secondary CTE concentrators (students who take at least two courses in a single CTE program pathway) and 21.9 thousand postsecondary CTE concentrators in New Mexico. That same year, USDE reported 69.9 thousand secondary CTE students and 43.3 thousand postsecondary CTE students in the state.

Despite state law (Subsection E of Section 22-1-12 NMSA 1978) requiring PED to provide annual reports on the efficacy of the CTE pilot project between FY20 and FY27, PED has not provided any empirical evidence to date that the state’s CTE pilot project has improved student academic outcomes. A 2024 LESC inventory of CTE programs notes the pilots require further study.

A 2024 New Mexico State University survey on PED’s CTE Innovation Zone schools and activities found school personnel had positive perceptions of the program. The survey did not include student outcomes or data on student perceptions. The report noted 86 percent of Innovation Zone schools in FY24 had implemented student internships, serving 2,449 students with two-thirds of the internships being paid with Innovation Zone funds. Cuba Independent School District provided the most internships (393) followed closely by Albuquerque Public Schools (387) and South Valley Academy charter school (310). The top internships were educational services (276); healthcare and social assistance (264); agriculture, forestry, fishing, and hunting (162); and construction (138). PED allocated \$11.3 million out of the \$40 million CTE appropriation for Innovation Zones across 24 districts, 20 charters, and three tribal schools.

PERFORMANCE IMPLICATIONS

In 2024, PED reported the graduation rate for high school CTE concentrators was 95.8 percent, significantly higher than the statewide average of 76.7 percent. The higher graduation rate was higher across student subgroups.

New Mexico leads the nation in associate degrees, certificates, and certifications, but lags the nation significantly in bachelor’s degree holders. Crucially, younger New Mexicans are less likely to have postsecondary education than the working-age population as a whole. Fifty-one percent of New Mexicans ages 25-64 have postsecondary education compared with 54 percent nationally. However, only 49 percent of New Mexicans ages 25-34 have postsecondary education versus 56 percent nationwide.

Highest Education Level	Age 25-34		Ages 25-64	
	U.S.	N.M.	U.S.	N.M.
Grad/Professional	12%	9%	14%	13%

Bachelor's	28%	19%	23%	17%
Associate	9%	10%	9%	10%
Certificates & Certifications	8%	11%	8%	11%
Some College, No Credential	12%	17%	11%	11%
HS Grad/Credential	24%	27%	25%	26%
No HS Diploma/Credential	7%	8%	10%	12%
Post Secondary	56%	49%	54%	51%
Secondary or Less	44%	51%	46%	49%

Source: Lumina

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill require HED, in collaboration with PED, WSD, and LESC, to study the availability of CTE courses and instructors, as well as compensation for CTE instructors across the state. The study must evaluate:

- Availability of CTE courses, including:
 - Demand for courses,
 - Whether courses address skills needed by industry,
 - Whether courses address workforce needs,
 - Course shortages, and
 - Industry employer incentives and issues.
- Salaries and compensation of CTE instructors, including:
 - Salaries of CTE instructors at community colleges,
 - Course loads for instructors,
 - Instructor shortages, and
 - Comparisons of CTE instructor salaries to other higher education instructors.

The study shall identify root causes for findings, include input from industry employers (identified by WSD), and recommend short- and long-term actions. HED must provide the study to the governor, LFC, and other legislative committees on October 1, 2025.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to Senate Bill 64, which creates a school career development success pilot; relates to Senate Bill 130, which creates a CTE formula factor for public schools; relates to Senate Bills 343 and 345, which adjusts salary provisions related to vocational teachers; and House Bill 560, which appropriates \$20 million for workforce readiness programs.

The bill likely duplicates or relates to appropriations in the HAFC Substitute for House Bills 2&3, including:

- \$750 thousand to WSD to identify evidence-based or research-based strategies to increase the labor force participation rate,
- \$600 thousand to WSD to implement and evaluate youth pre-apprenticeship programs targeted toward science, technology, engineering and math industries and programs that provide a direct pathway to a registered apprenticeship program,
- \$2.7 million to HED for New Mexico community colleges and regional universities for program development costs and to purchase equipment supporting noncredit workforce training programs resulting in industry-recognized certificates or credentials,
- \$2 million to HED for the expansion of the New Mexico workforce training economic

support pilot program to include students enrolled in department-approved credit-based and non-credit based workforce development training programs leading to jobs in high demand industries, and

- \$40 million to PED for the CTE pilot project.

OTHER SUBSTANTIVE ISSUES

While the state’s labor force participation rate has improved from the pandemic low, New Mexico’s participation rate in July 2024 was 57.4 percent, the same rate as July 2023. The state would need an estimated 40 thousand additional individuals between the ages of 20 and 54 working or looking for work to meet the national average. LFC reports have consistently noted low labor force participation holds the state back from economic development and expansion.

New Mexico’s annual per capita income is \$54 thousand, the 46th lowest in the United States in 2023. The state’s ranking has not changed substantially from a decade prior when the state was 48th. Over the last decade, New Mexico’s private employment has grown by 6.8 percent, 6.4 percentage points slower than the western regional average. New Mexico’s economy is more reliant on retail and government industries, likely contributing to lower wages.

Recognizing the need to increase the skills of the New Mexico labor force, the Legislature has roughly doubled funding for workforce training programs over the past five years as shown in the table below:

Summary of Funding for Workforce Development and Training
(in thousands)

Recipient	Purpose	FY21	FY22	FY23	FY24	FY25
Higher Education Department	Noncredit workforce training tuition for HEIs	-	-	-	-	\$20,000
	Work-study in high-demand degree fields	-	-	\$20,000	-	-
	IET programs	-	-	-	-	\$2,000
	IET programs	-	-	-	\$1,000	\$1,000
	Noncredit workforce training funds (high skills)	\$461	\$761	\$761	\$761	\$761
Health Care Authority	New Mexico Works Career Link	\$4,165	\$4,165	\$2,748	\$2,748	\$2,748
	New Mexico Works Wage Subsidy	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Workforce Solutions Department	Trades and career exploration**	-	-	-	-	\$2,000
	Youth re-employment and pre-apprenticeships*	-	-	\$5,000	-	\$600
	WIOA Title III (Wagner-Peyser)	\$5,549	\$5,550	\$5,584	\$5,627	\$5,589
	Registered Apprenticeships (FY25 reflects HB5)*	\$2,000	\$2,000	\$2,200	\$2,500	\$7,500
Local Workforce Dev. Boards	WIOA Title I	\$36,686	\$33,245	\$30,243	\$36,476	\$33,143
Economic Development Department	Job Training Incentive Program (JTIP)	\$9,000	\$12,000	\$12,000	\$9,700	\$7,600
	Creative industries fund & division	-	-	-	\$20,000	-
Public Education Department	NextGen, Innovation Zones, WBL, CTE pilot	\$2,000	\$3,000	\$10,000	\$20,000	\$40,000
	Perkins	\$9,353	\$9,727	\$10,062	\$10,432	\$10,518
TOTALS		\$71,214	\$72,448	\$100,598	\$111,244	\$135,459

Misalignment between the state’s workforce skills and industry is a challenge for New Mexico’s

economic future. The state's target industries generally require advanced skill levels in science, technology, engineering, and math. Education and job training in New Mexico need to ensure the state's workforce has the skills required to meet industry's needs. Without an aligned workforce, New Mexico risks exporting residents to states with better connected institutions and losing employers to states with better trained workers.

Nursing, accounting and auditing, and merchandising were in the highest demand in New Mexico, but New Mexico lacks sufficient workers with these skillsets. The most common listed skills by New Mexico workers were strategic planning, business development, and project management, which are not in high demand by employers. This mismatch of existing skills and skills wanted by employers could explain rates of underemployment and why companies struggle to hire employees.

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