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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Sen. Brandt/Rep. Gurrola ORIGINAL DATE 1/29/25

BILL

SHORT TITLE School Career Development Success Project NUMBER Senate Bill 64

ANALYST Liu

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$1,500.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
WSD	No fiscal impact	\$75.0	\$75.0	\$150.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bill 63, Senate Bill 130

Sources of Information

LFC Files
 Legislative Education Study Committee (LESC) Files

Agency Analysis Received From
 Department of Workforce Solutions (WSD)
 Higher Education Department (HED)
 New Mexico Independent Community Colleges (NMICC)

Agency Analysis was Solicited but Not Received From
 Public Education Department (PED)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 64

Senate Bill 64 (SB64) appropriates \$1.5 million from the general fund to the Public Education Department for the purpose of providing financial incentives to school districts and charter schools for each high school student who completes a career development program. The bill establishes a career development success pilot project fund and authorizes expenditures for the pilot over the next 3 years. PED must study outcomes of the pilot program and report its findings to the governor and the Legislative Education Study Committee (LESC). This bill is endorsed by LESL.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of \$1.5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY28 shall revert to the general fund. Although the bill does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring. Provisions of this bill also require PED to report the anticipated need for additional funding for the pilot project based on interest on an annual basis, which will likely exceed the amount of the appropriation within this bill.

The bill provides between a \$250 and \$750 financial incentive to participating districts and charter schools for each ninth through 12th grader who successfully completes a career development program. As such, slightly over 100.1 thousand high school students statewide could potentially generate this incentive. Provisions of the bill limit the incentive to one student, regardless of the number of career development program completions, and require PED to provide at least \$250 for each eligible incentive awardee. However, the bill also requires PED to reduce the award proportionately to cover all eligible incentive awardees if the statewide total award exceeds the amount of money available. This would effectively limit the participation to a maximum of 6,000 students statewide (or 2,000 students if allocated evenly over 3 years). Additionally, the bill prohibits a school district or charter school from receiving more than 10 percent of the total distribution, limiting the maximum allocation to \$150 thousand per district or charter for at most 600 student completers (or \$50 thousand if allocated evenly over 3 years).

According to LESL, the estimated costs of the program would be between \$635 thousand and \$1.9 million based on the count of students who earned a credential in FY22. The LESL FY26 budget recommendation includes a \$1.5 million nonrecurring appropriation from the general fund for purposes of this bill. The executive and LFC recommendations do not include this amount. Nonrecurring appropriation recommendations for career and technical education (CTE) initiatives total \$41 million for the executive, \$45 million for LFC, and \$46.5 million for LESL.

SIGNIFICANT 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 5 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 programs 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.

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

Provisions of the bill provide awards to districts or charters for the number of high school students who enroll in and successfully complete qualified industry credential programs or qualified workplace training programs. While certificates can lead to improved incomes, large variations in gains exist, depending on the type of certificate obtained.

Workforce training certificates are typically short-term programs of 1 year or less and are often specific to a single industry or skill. However, many certificates are offered as part of a series of skills-based programs known as “stackable” certificates. LFC analysis shows that stackable certificates lead to larger salary increases and a better-defined career path.

Workforce training certificates can be stacked horizontally across skills, or vertically to achieve a higher level of skill in the same discipline. For example, a student could receive a commercial driver’s license and combine that with an OSHA certification and a linesman certificate which would enable the holder to take on greater responsibility within a field. This is an example of horizontal stacking. Vertical stacking includes programs such as automotive mechanics fundamentals, including brake and suspension, engine, transmission, and electronics. Additionally, students could achieve other certifications in EV service and repair.

Provisions of this bill may increase the number of students participating in a career development program.

According to Advance CTE, a national association of state CTE officials, in FY21 New Mexico had 69.9 thousand secondary students enrolled in CTE programs, with 22.2 thousand CTE concentrators (students who take at least two courses in a single CTE program). Both in New Mexico and nationally, students who are CTE concentrators graduate high school at greater rates. This CTE concentrator graduation trend is steady across all student demographic groups, including at-risk student groups identified in the *Martinez-Yazzie* education sufficiency lawsuit.

ADMINISTRATIVE IMPLICATIONS

The bill requires PED to identify career development programs across the state in collaboration with the Department of Workforce Solutions (WSD) and higher education institutions by July 31, 2025. The bill further requires PED to solicit participation in the program and provide annual reports on September 1 to LESC and the governor on the number of participating districts and charters, number of participating students earning an industry-recognized credential by demographic group, types of career development programs completed, expenditures, and an opinion on anticipated growth in the pilot project. If available, PED will report career development program completions before and after the pilot, types of programs completed before the pilot, and post-graduation outcomes for students who generated the financial incentive. Tracking postsecondary outcomes will require additional coordination between PED, the Higher Education Department (HED), WSD, and other partners. HED notes K-12 student data is not associated with social security numbers, which would be necessary to match students with workforce and postsecondary data. WSD notes the costs of coordinating program and wage data for this pilot would cost the agency \$75 thousand. PED would provide a final report on the pilot project on December 31, 2028.

Provisions of the bill require PED to create a new grant process and determine awards for districts and charters that participate in the program. For new initiatives, PED staff have a short timeline after legislative sessions to create grant program requirements, ready application documents, and eventually review applications and make awards. Simultaneously, school districts and charter schools must decide whether they have the capacity or interest to apply for and implement new program funding as part of the annual budget submission to the department. Most initiatives are funded on a reimbursement basis, requiring schools to float expenses with existing operational revenue. Delays in the reimbursement process often incentivize larger cash reserves and rushed spending practices.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bill 63, which increases formula factors for secondary students in the public schools funding formula, and Senate Bill 130, which creates a CTE factor in the public schools funding formula.

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