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## FISCAL IMPACT REPORT

<b>SPONSOR</b>	State Tax, Business and Transportation Committee	<b>LAST UPDATED</b>	2/20/2025
		<b>ORIGINAL DATE</b>	2/19/2025
<b>SHORT TITLE</b>	Public Works Minimum Wage Definitions	<b>BILL NUMBER</b>	CS/Senate Bill 59/STBTCS
		<b>ANALYST</b>	Garcia

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
State Construction Projects	Indeterminate but minimal	At least \$9,000.0	At least \$9,000.0	At least \$18,000.0	Recurring	General Fund
WSD	Indeterminate but minimal	\$50.0	\$50.0	\$100.0	Recurring	General Fund
<b>Total</b>	Indeterminate but minimal	At least \$9,050.0	At least \$9,050.0	At least \$18,100	Recurring	General Fund

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

Conflicts with House Bill 6.

### Sources of Information

LFC Files

Agency Analysis Received From  
 Workforce Solutions Department (WSD)  
 General Services Department (GSD)  
 Public Schools Facility Authority (PSFA)  
 New Mexico Independent Community Colleges  
 University of New Mexico (UNM)  
 Department of Transportation (DOT)

## SUMMARY

### Synopsis of STBTC for Senate Bill 59

The Senate Tax, Business and Transportation Committee substitute for Senate Bill 59 (SB59) amends the Public Works Minimum Wage Act (PVMWA) to include a definition for the site of a project, which means “the physical location of a public works project as well as any off-site fabrication locations that engage in the fabrication of heating, cooling, ventilation or exhaust duct systems that are part of a public works project.”

Effectively, the bill will add workers who fabricate HVAC components off the job site to the list of workers subject to the Public Works Minimum Wage Act.

The effective date of this bill is July 1, 2025. The bill notes the act will apply to requests for proposals and invitations for bids for procurement for public works projects issued on or after July 1, 2025.

## FISCAL IMPLICATIONS

The General Services Division (GSD) notes no potential fiscal impact resulting from this bill. GSD reports the agency does limited contracting for pre-fabrication projects.

However, given the bill applies to subcontractors, it may be difficult for GSD to determine the extent to which subcontractors employ off-site fabricators for the purposes of fabricating heating, cooling, ventilation, or exhaust systems. Thus, it is difficult to determine if the agency would experience significant increases to contracting costs associated with increased wages.

The New Mexico Independent Community Colleges note the bill may impact the cost of post-secondary education construction projects to ensure off-site vendors are paying prevailing wages. However, Community Colleges are unable to estimate specific costs.

The Public Schools Facility Authority (PSFA) reports the financial implications of the bill remain uncertain:

Accurately assessing the possible effects of the Public School Capital Outlay Fund proves challenging. The difficulty arises from the fact that the PSFA does not monitor the number of off-site fabricators involved in HVAC components included in standard or system-based projects. Subsequently, PSFA is unable to estimate the potential rise in costs linked to evaluating wage rates and benefits for off-site fabricators in future HVAC system projects.

The Workforce Solutions Department (WSD) notes the expansion of the PWMWA will necessitate additional WSD administrative responsibilities related to enforcement and training to ensure staff and stakeholders understand new bill requirements. WSD estimates annual recurring cost increases of \$50 thousand.

Overall, it is difficult to estimate the cost of Senate Bill 59 because it is difficult to isolate off-site fabrication costs, particularly when performed by sub-contractors, and it is difficult to know the wages paid to workers fabricating HVAC components offsite. However, it is likely that contractors bidding on public works projects could experience increased labor costs, resulting in higher construction costs.

In the last two years, appropriations for capital outlay projects have exceeded \$1.5 billion. LFC looked at an example of construction costs for a sample of state building construction projects and estimated HVAC costs accounted for roughly 20 percent of total costs, though the extent to which off-site fabrication occurs is unclear. If the bill were to increase HVAC costs by 3 percent, this could result in an estimated fiscal impact to the state of at least \$9 million annually for construction projects.

## SIGNIFICANT ISSUES

Under the state’s PWMWA every contract involving the state or a political subdivision for more than \$60 thousand to construct, alter, demolish, or repay the costs of public buildings, public works, or public roads requires certain types of laborers to be paid a minimum wage and fringe benefits.

Through administrative rule, WSD determines the prevailing wage based on classes of laborers and mechanics employed in a similar nature on contract work in the state or locality. Administrative code requires WSD to determine prevailing wages to be those used in collective bargaining agreements when collective bargaining agreements exist between labor unions and their signatory employers. When no collective bargaining agreements exist, administrative code outlines how WSD establishes prevailing wages.

When an agency receives a contract to perform public works projects, the contracting agency must notify WSD and include wage rate agreements. WSD then ensures enforcement of these wages, which apply to subcontractors.

SB59 would expand the categories of workers under the PWMWA to include workers who earn wages who fabricate heating, cooling, ventilation, or exhaust systems offsite, and contractors seeking public works projects would be required to pay prevailing wages for these workers.

The New Mexico Independent Community Colleges reported institutions will need monitor compliance and noted the bill could lead to fewer vendor bids or vendors raising prices to reflect higher labor costs when submitting bids for public works projects.

The University of New Mexico anticipated project cost increases associated with the bill and reported:

Many HVAC systems and equipment are pre-fabricated out of state and out of the country, so Senate Bill 59 may put in-state fabrication companies at a disadvantage to any out-of-state companies, since the law would only apply to New Mexico. State agencies may choose to go out-of-state to secure HVAC systems and equipment. Comparable HVAC units fabricated within the state may rise in cost after the passage of this bill.

WSD notes in its analysis the bill aims to improve wage parity and compliance in public works projects by expanding workers covered under the PWMWA.

## ADMINISTRATIVE IMPLICATIONS

WSD notes the committee substitute addressed the significant issues identified in the original bill, which included references to “any other fabrication” in a prefabricated component or structure used in or on a public works project.

WSD reports the agency will need to promulgate rules requiring contractors to disclose the covered off-site fabrication in the bid submissions to streamline enforcement.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

House Bill 6 would also amend the PWMWA under Section 13-4-11.

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