Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

		LAST UPDATED	3/5/2025
SPONSOR	Szczepanski	**ORIGINAL DATE**	1/27/2025
SHORT TITLE	IRB Project Minimum Wage	**BILL NUMBER**	House Bill 6
		ANALYST	Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT		Indeterminate – may exceed $1,000.0	Indeterminate – may exceed $1,000.0	Indeterminate – may exceed $1,000.0	Indeterminate – may exceed $1,000.0	Recurring	General Fund
CIT		Indeterminate – may exceed ($1,000.0)	Indeterminate – may exceed ($1,000.0)	Indeterminate – may exceed ($1,000.0)	Indeterminate – may exceed ($1,000.0)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.

Relates to Senate Bill 59 which amends some provisions of the Public Works Minimum Wage Act.

Sources of Information
LFC Files

<u>Agency Analysis Received From</u>
Workforce Solutions Department (WSD)
Economic Development Department (EDD)

<u>Agency Analysis was Solicited but Not Received From</u>
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of House Bill 6

House Bill 6 amends the Public Works Minimum Wage Act (Sections 13-4-10 through 13-4-17 NMSA 1978) to require that projects funded through industrial revenue bonds (IRBs) issued by municipalities or counties comply with prevailing wage and fringe benefit requirements. Specifically, contractors, subcontractors, employers, and others acting as contractors on these projects will be required to pay workers' wages and benefits in accordance with the prevailing wage rates determined by the Workforce Solutions Department (WSD) Labor Relations Division (LRD). This amendment applies to projects exceeding $60 thousand, aligning with the requirements outlined in Section 13-4-11 NMSA 1978.

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

FISCAL IMPLICATIONS

There is no central repository of data on current or proposed industrial revenue bonds (IRBs). One popular area for applying for IRBs is renewable energy, including solar projects and wind farms. These projects may qualify for either federal renewable energy investment credits or renewable energy production credits. These federal tax credits were signed into law in 2022:

> On August 16, 2022, President Biden signed [Public Law 117-369, 136 Stat. 1818](), commonly known as the Inflation Reduction Act of 2022 (IRA), into law. Under the Inflation Reduction Act, taxpayers may receive increased tax benefits by meeting prevailing wage and apprenticeship requirements (PWA)[1].

The increases in specific dollar or percentage credits can be as much as five times greater if the developers and operators conform to prevailing wage requirements. It is unlikely that any developers who are eligible for these enhanced credits will fail to meet the requirements of the IRA. Thus, for this segment of the IRB universe, the provisions of the bill will have no fiscal effect against the plausible and probable base. If the new administration is able to repeal the IRA renewable energy credits with the labor cost incentives, this assumption should be reviewed.

One of the first executive orders signed by President Trump was a 90-day delay on IRA funding. Although primarily addressing offshore wind projects and the electric vehicle mandate, the future of clean energy incentives is uncertain.[2] If federal IRA tax credits are repealed, then the incentive for renewable energy project developers to hire registered apprentices and union labor is significantly reduced. The provisions of this bill would require renewable projects that take advantage of the IRB provisions to pay apprentices and labor the prevailing rate.

IRBs also cover projects such as the Facebook project in Las Lunas. The provisions of this bill would also apply to similar projects.

Because of the lack of data on future IRBs of the Facebook type, the fiscal impacts are shown as "indeterminate, could exceed $1,000.0" because wages subject to personal income tax might increase and "indeterminate, could exceed ($1,000.0)" for CIT because labor costs might increase and profits fall.

WSD anticipates that some additional staff time will be necessary to review wage scales and address complaints arising from these projects and to educate governments about the impact of these changes. Given that IRB projects are not nearly as widespread as other public works projects, the fiscal impact likely can be absorbed by existing staff and resources.

SIGNIFICANT ISSUES

Historically, the first IRB approved in the state provided an incentive for Intel to build the first chip manufacturing plant in Sandoval County, just outside the Rio Rancho city boundaries.

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[1] https://www.dol.gov/agencies/whd/IRA

[2] https://www.energysage.com/blog/ira-funding-pause-2025/

Currently, the Facebook plant in Las Lunas has been approved in multiple tranches for a total of $70 billion in industrial revenue bonds. Many of the recent utility-scale solar farms and wind farms built in the state have been approved for IRBs.

The Inflation Reduction Act has been a drivers of recent solar and wind. Many of these projects ask for IRBs. If the payment in lieu of taxes are carefully calculated, the IRB election and approval can benefit both the developer and the sponsoring government.

WSD points out that the bill relates to broader efforts to ensure fair wages on publicly funded or facilitated projects, with more and more local governments exploring project labor agreements and other tools for worker protection. Coordination with WSD and municipalities will be crucial to avoid administrative duplication and ensure efficient enforcement of prevailing wage laws under both bills.

The Economic Development Department (EDD) points out that IRBs are an important tool for economic development and warns that this bill may weaken that tool:

> IRBs are one of the state's most important and effective economic incentives, especially for large capital-intensive projects, enabling local governments to attract private investment without providing direct funding or assuming financial risk. When a company is awarded an IRB, it secures and repays the bonds while benefiting from a reduction in property taxes on its investment for up to 30 years. This incentive makes large-scale investments more financially viable and encourages businesses to choose New Mexico over other locations.
>
> IRBs are particularly effective in converting undeveloped land into productive economic centers. These sites often have low taxable value before investment and may remain vacant for years without incentives. By facilitating private investment, IRBs drive job creation, infrastructure improvements, and long-term tax revenue growth for local governments.
>
> HB6 expands the scope of the Public Works Minimum Wage Act to cover private sector projects that use IRBs. It will likely increase the cost of construction, increasing costs for the overall development therefore reducing the value of IRBs as an incentive. Higher costs may discourage businesses from investing in the state, and compliance with wage requirements could delay project approvals.
>
> The cost of public projects in New Mexico increased by 138 percent between 2019 and 2023 compared with the national average, which increased by 35 percent for the same time period. (see *Escalating Costs of Public Construction*, LFC January 15, 2024, page 4.) Adding new public sector wage requirements to private sector construction projects could similarly impact the costs of private sector construction.
>
> While HB6 may increase wages for workers on IRB-funded projects, potentially leading to higher earnings and possibly attracting more skilled labor into the state, the added labor costs could ultimately reduce the effectiveness of IRBs as a development tool. If IRBs no longer provide a strong financial incentive, fewer companies may choose to invest in New Mexico, leading to fewer projects, fewer jobs, and lost economic opportunities.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met because TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the implicit property tax exemption and gross receipts tax deduction.

WSD points out the following:

> The inclusion of industrial revenue bond (IRB) projects under the Public Works Minimum Wage Act (PWMWA) will require additional compliance and enforcement efforts by WSD and LRD. Contractors and subcontractors working on IRB-funded projects will need to request wage decisions from WSD in order to bid on projects and adhere to prevailing wage rates and fringe benefit requirements. LRD will be responsible for auditing these projects as part of its routine compliance monitoring.
>
> The bill could benefit from including provisions that require municipalities and counties issuing IRBs to disclose all project details to WSD at the outset. Such a requirement would streamline wage determinations and improve enforcement efficiency.
>
> Moreover, municipalities and counties may need to implement or expand their own processes to monitor compliance on IRB projects. Training for municipal and county officials, as well as contractors, on the requirements of the PWMWA could further ensure smooth implementation and compliance. Establishing a clear, streamlined compliance process—such as requiring contractors to submit certified payroll records—will be critical to effectively enforce the prevailing wage requirements on IRB-funded projects.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

WSD points out House Bill 6 (HB6) intersects with Senate Bill 59 (SB59), which also proposes amendments to the Public Works Minimum Wage Act (PWMWA). SB59 addresses the inclusion of "off-site fabricators" under the PWMWA, while HB6 focuses on extending prevailing wage requirements to projects financed through industrial revenue bonds (IRBs). Both bills amend overlapping sections of the PWMWA, specifically Sections 13-4-10.1, 13-4-11, 13-4-13, and 13-4-14, which will need to be reconciled to avoid conflict if both bills are enacted.

TECHNICAL ISSUES

WSD recommends the Legislature should harmonize the language in HB6 and SB59 to ensure clarity and consistency in the implementation of PWMWA provisions. Additionally, if SB59 is enacted, the wage decision and compliance requirements for off-site fabricators should align with the expanded requirements for IRB-funded projects under HB6 to maintain uniform enforcement standards.

LG/sgs/hg