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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
55th Legislature, 1st Session, 2021

Bill Number HB110 **Sponsor** Roybal Caballero
Tracking Number .218408.2 **Committee Referrals** HLVMC/HCEDC
Short Title Phased Minimum Wage Increase
Analyst Bedeaux **Original Date** 2/1/21
Last Updated _____

BILL SUMMARY

Synopsis of Bill

House Bill 110 (HB110) increases the statewide minimum wage as follows:

- On January 1, 2022, the minimum wage increases from \$10.50 per hour to \$12 per hour.
- On January 1, 2024, the minimum wage increases from \$12 per hour to \$15 per hour.
- On January 1, 2025, and each subsequent year, the minimum wage increases in proportion to the percentage increase of the consumer price index for all urban consumers (CPI-U) rounded to the nearest multiple of 5 cents.

HB110 eliminates certain exceptions to the current minimum wage, including employees of religious and nonprofit organization employees, salespeople working for commission, apprentices and learners, and persons under 18 who are not in school. HB110 also repeals a section of law that provides for a lower-than-minimum wage for persons with disabilities.

This analysis focuses on HB110's impact on New Mexico public schools.

FISCAL IMPACT

The bill does not contain an appropriation. The Legislature typically accounts for increases to the minimum wage by increasing appropriations to the state equalization guarantee (SEG), the pool of state money distributed to school districts and charter schools through a funding formula. The Legislative Finance Committee (LFC) and LESC public school support budget recommendations for FY22 each include \$2 million to hold school districts and charter school budgets harmless for an already scheduled increase to the minimum wage. Staff estimate this amount is sufficient to also offset the impact of HB110 in FY22, but the bill will require additional appropriations to the SEG distribution each subsequent fiscal year.

HB110 will have a minor immediate impact in FY22 and FY23, with larger impacts as the minimum wage increases to \$15 per hour and beyond in FY25 and subsequent fiscal years. Based on data available to LESC staff showing only positions funded using general fund dollars, school districts and charter schools will require an appropriation of \$243 thousand to be held harmless for

the increase to the minimum wage from \$10.50 per hour to \$12 per hour on January 1, 2023. The increase would occur halfway through the fiscal year, meaning half of the full impact will be realized in FY22 and requiring another \$243 thousand FY23 to fully cover the increase. The amount included in the LFC and LESC budget recommendations is sufficient to cover the initial cost of HB110.

In FY24, the minimum wage would increase from \$12 per hour to \$15 per hour, requiring an additional \$1.6 million to hold school districts and charter schools harmless. In FY25, the minimum wage will be benchmarked to the CPI-U; based on an estimated 2.1 percent increase in the CPI-U, the minimum wage would increase to \$15.30 per hour, requiring an additional \$1.7 million to hold school districts and charter schools harmless. The cumulative impact by the end of FY25 is estimated at \$3.8 million.

Fiscal Impact of HB110 Over Time
FY22 through FY25

	FY22	FY23	FY24	FY25
Minimum Wage (increasing on January 1 in FY22, FY25, and FY26)	\$10.50/\$12	\$12	\$12/\$15	\$15/\$15.30
New Cost to School Districts and Charter Schools	(\$243.0)	(\$243.0)	(\$1,582.4)	(\$1,732.7)
Cumulative Cost to Public Schools compared with FY21	(\$243.0)	(\$495.6)	(\$2,068.3)	(\$3,801.0)

Note: Analysis includes only positions funded with general fund dollars, excluding federally funded positions.

Source: LESC Analysis of PED Data

HB110’s impacts would primarily be realized by maintenance and custodial personnel and instructional assistants. However, the true cost of increasing the minimum wage above \$15 per hour may be higher, given that this analysis does not include federally funded positions, which often include food service personnel and some instructional assistants.

Estimated Impact of HB110 on Personnel Categories

	Increased Wages at \$12 per hour	Increased Wages at \$15 per hour
Maintenance/Custodial	\$445,196	\$2,025,187
Instructional Assistants	\$21,955	\$1,048,682
Clerical/Business Office Support	\$12,520	\$130,145
Bus Drivers/Crosswalk Guards/Duty Personnel	\$12,039	\$66,796
Other Categories	\$3,871	\$36,169
Total Estimated Cost	\$495,581	\$3,306,979

Source: LESC Analysis of PED Data

SUBSTANTIVE ISSUES

In 2019, the Legislature reached a consensus on a phased minimum wage increase, increasing gradually each year from \$7.50 per hour in 2019 to \$12 per hour beginning January 1, 2023. HB110 accelerates the timeline for the increase to \$12 per hour by one year, and establishes a \$15 per hour minimum wage on January 1, 2024. However, HB110 also eliminates elements of the consensus bill that were a prerequisite for its passage, including a separate minimum wage for tipped employees and trainee employees.

According to the National Conference of State Legislatures, while Washington D.C. currently has a \$15 per hour minimum wage, no state has reached \$15 per hour yet. Six states have established laws to phase the minimum wage to \$15 per hour over time, many of which have higher costs of

living than New Mexico. These states are California, Connecticut, Illinois, Maryland, Massachusetts, and New York. New Mexico's neighbors have minimum wage laws ranging from \$7.25 in Oklahoma, Utah, and Texas to \$12.15 per hour in Arizona and \$12.32 per hour in Colorado.

OTHER SIGNIFICANT ISSUES

PED data are not granular enough to establish the impact of the repeal of certain exceptions to the minimum wage law. Staff estimate the repeal of laws requiring a separate minimum wage for persons with disabilities, high school students, and tipped employees will not have a substantial impact on public school budgets.

Data for this analysis was obtained from PED "worksheets 4 and 5," annual worksheets submitted by school districts and charter schools showing salary increases for each general fund FTE. The data were used under the following assumptions:

1. Records entered with an FTE or salary equal to zero were excluded.
2. The hourly wage of a salaried employee is equal to salary divided by number of hours worked per year.
3. Employees entered as business office personnel, administrators, maintenance employees, or data personnel were considered to have worked a full year schedule at 2,080 hours per year. Other employees were considered to have worked an abbreviated schedule consistent with a typical school calendar: 7 hours per day for 183 days, or 1,281 hours per year.
4. If this calculation resulted in an employee making less than the current minimum wage of \$10.50 per hour, the employee was assumed to be making exactly the minimum wage.

SOURCES OF INFORMATION

- LESC Files

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