

LFC Requester:

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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/5/25 *Check all that apply:*
Bill Number: HB246Amended Original Correction
Amendment Substitute

Sponsor: Rep. Patricia Roybal Cabellero
Short Title: Increase Minimum Wage

Agency Name and Code: HCA 630
Number: _____
Person Writing: Dustin Acklin
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0.0	\$0.0	NA	NA

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NA	NA	NA	NA	NA

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Medicaid Program Enrollment	NA	-\$86,813.4	-\$178,219.9	-\$265,033.3	Recurring	GF

Medicaid Program Enrollment	NA	-\$274,909.2	-\$564,362.9	-\$839,272.1	Recurring	FF
Medicaid Program Direct Care Cost	NA	\$33,004.9	\$67,726.0	\$100,730.9	Recurring	GF
Medicaid Program Direct Care Cost	NA	\$83,579.0	\$171,504.1	\$255,083.0	Recurring	FF
Total		-\$245,138.7	-\$503,352.7	-\$748,491.5		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB246 seeks to increase the minimum wage in New Mexico to \$17.00 dollars per hour effective January 1, 2026. The bill also provides for an annual increase of the state's minimum wage based on inflationary measures and repeals certain sections of the minimum wage act.

FISCAL IMPLICATIONS

- By Jan. 1, 2026, all HCA employees will be making at or above \$17.00 per hour, regardless of this bill's passage. As a result, HCA Human Resources has no fiscal impact at the time of this analysis and no new money will be required by the department insofar as salary adjustments.
- As incomes of working age customers rose, the Medicaid program would reduce enrollment by 81,743. The program would also incur an increased cost for direct personal care services and assisted living facility services. The net total fiscal impact from these two effects is a decrease of -\$748.5 million in total computable costs, covering 6 months of FY 2026 and 12 months of FY 2027. This overall fiscal impact adjusts for annual inflation of 2.6%. The net total fiscal impact to the General Fund need from the two effects is -\$164.3 million, while the net total fiscal impact to Federal Funds need is -\$584.2 million.
- There is no negative general fund impact from individuals with increased earnings losing of eligibility for SNAP, LIHEAP and cash assistance as the funds dispersed in these programs are 100% federal.

SIGNIFICANT ISSUES

- The NM Health Care Authority (HCA) Income Support Division (ISD) administers the Temporary Assistance for Needy Families (TANF) Wage Subsidy and Career Link programs. These programs provide work opportunities through subsidized employment

for TANF participants to work either part-time or full-time at a local business that will give them the experience to gain unsubsidized employment. Currently participants of these programs earn \$15.90/per hour. Increasing the hourly rate of pay yearly would affect the pay of these participants as well. Because TANF block grant dollars are finite, without an increase in GF, the total number of hours each participant works or the total number of participants served by the program would need to be reduced. The overall contract compensation for the contractor serving these clients (currently DWS) will be impacted.

With the increase of the proposed hourly wage of \$17.00 the maximum capacity of enrollments are:

- Wage Subsidy = 57 (dropped from 60 @\$15.90 per hour minimum wage a reduction of 4)
- Career Link = 192 (dropped from 206 @\$15.90 per hour minimum wage , a reduction of 13)

SFY2025	Wage Subsidy	Career Link
Budget	\$ 2,000,000	\$ 2,748,300
Enrollment as of 31-Dec-24	32	11
Current Minimum Wage	\$ 15.90	\$ 15.90
Maximum Enrollment Capacity @ \$15.90	60	206
Proposed Minimum Wage (Increase of \$1.10)	\$ 17.00	\$ 17.00
Maximum Enrollment Capacity @ \$17.00	57	192
The drop of Enrollment Capacity (Increase of \$1.10 to Min Wage)	4	13

- The impact of enrollments from increasing the minimum wage as described in HB246 is shown in the table below for select programs. Specifically, an increase in the minimum wage from current levels of \$15.90 per hour to the proposed amount of \$17.00 per hour may result in a decrease in enrollment for Medicaid (MAGI categories), SNAP, Cash Assistance Program, and LIHEAP by an estimated 81743, 42899, 131 and 30438 recipients respectively. The estimated impacts to HCA enrollment from a further increase in the minimum wage by an adjustment for the rate of inflation (2.7% used, BLS December 2024) to Medicaid (MAGI categories), SNAP, Cash Assistance Program, and LIHEAP are 16565, 11402, 31, 7734 recipients respectively. The analysis examines impacts to enrollment during the first month the change in minimum wage takes effect. The analysis does not include the impact on recipients employed in jobs with tips and assumes all recipients would hold non-tipping employment in the proposed scenarios due to data limitations.

December-2024	Estimated Number of Recipients Over Income Limit in 2024 at \$16/Hour	Estimated Number of Recipients Over Income Limit in 2024 at \$17/Hour
Program		
Medicaid	81,743	16,565
SNAP	42,899	11,402
Cash Assistance	131	31
LIHEAP	30,438	7,734

Notes:

- *The current analysis is based on the methodology and the analysis prepared by ISD in 2023.*
- *Proportions and ratios were estimated with summary data on Medicaid, SNAP, Cash and LIHEAP from December-2024 MSR and December-2022 MSR.*

December 2024 & December 2022 MSR Summaries on Medicaid, SNAP, Cash Assistance and LIHEAP

Program	December-2024 Recipients	December-2022 Recipients
Medicaid	980,820	841,611
SNAP	513,623	472,746
Cash Assistance programs	27,532	22,583
LIHEAP	11,404	14,483

- As a consequence of the bill, there could be an increase in the “cliff effect” as supplemental income in the form of Medicaid, Supplemental Nutrition Assistance Program (SNAP), LIHEAP and cash assistance is lost due to increases in income from a rising minimum wage. A “cliff effect” occurs when a household sees a drop in support services because the earnings of the household increase, in turn causing the household to be over the income limits for eligibility for benefits and posing challenges when increased wages do not adequately cover expenses.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

- Resetting wage rates each year for providers based on minimum wage increases would require the Developmental Disabilities Supports Division to undergo multiple administrative activities annually, including but not limited to adjusting budgets, obtaining Centers for Medicare and Medicaid approval for wage changes, posting new fee schedules, and adjusting annual budgets for waiver programs.
- No IT impact.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- The United States Department of Labor is currently undergoing a notice of proposed rulemaking to determine if 14(c) certificates will no longer be issued to employers. Should this rule be finalized, 14(c) certificates that grant payment of substandard minimum wages to individuals with intellectual and developmental disabilities will be discontinued.

TECHNICAL ISSUES

- This change would require an update to the salary schedules managed by the State Personnel Office. Many of the lower-level salary bands have minimum hourly rates that are less than \$17.00 per hour. Any updates to the minimum hourly rates will also require a reevaluation of the salary schedules to address any salary compaction that may result.

- HCA has 87 positions/classifications assigned to salary schedules with minimum hourly rates of less than \$17.00 per hour. The department would rely on the State Personnel Office to adjust salary schedules for these positions/classifications should this bill pass. HCA does not believe this change will have a fiscal impact on the department from a staffing point of view.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

- If HB 246 is not enacted, individuals with intellectual and developmental disabilities may continue to receive subminimum wages, pursuant to the United States Department of Labor decision to discontinue issuance of 14(c) certificates to employers.
- Providing inadequate wages for direct support professionals who serve people with intellectual and developmental disabilities could further contribute to the shortage of direct support professionals.

AMENDMENTS