

LFC Requester: _____

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION
WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

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

Date Prepared: 2/10/2025 *Check all that apply:*
Bill Number: H264-341 Original Correction
 Amendment Substitute

Sponsor: Rep. Roybal Caballero **Agency Name and Code** DFA-341
Short Title: STATE EMPLOYEE SALARIES, LEAVE & **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicates expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicates revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

- House Bill 264 (HB264) proposes several changes to the employment conditions for state employees. 1 The bill includes provisions for increased minimum salary rates, annual leave accrual rates, paid parental leave, and remote work policies. The bill aims to improve the working conditions for state employees, make state employment more attractive and competitive, and address recruitment and retention challenges. Here is a detailed summary of the bill:
 - **Minimum Salary Rate:**
 - Effective July 1, 2025, the minimum salary for state employees and employees at state educational institutions (excluding student employees) will be set at \$15.00 per hour.
 - Starting July 1, 2026, and annually thereafter, the minimum salary rate will be adjusted based on the consumer price index, ensuring it does not decrease even if the index falls.
 - **Annual Leave Accrual Rates:**
 - Effective July 1, 2026, state employees will accrue annual leave at competitive rates:
 1. 4.62 hours per pay period for employees with less than three years of service.
 2. 5.54 hours per pay period for employees with three to seven years of service.
 3. 6.46 hours per pay period for employees with seven to fourteen years of service.
 4. 7.39 hours per pay period for employees with fourteen or more years of service.
 - **Paid Parental Leave:**
 - Effective July 1, 2026, state employees will be eligible for at least twelve work weeks of fully paid parental leave following the birth, adoption, or gaining custody of a child.
 - Both parents, if eligible, will receive this leave.
 - **Remote Work Policy:**

- State agencies will implement a remote work program to enhance recruitment and retention, mainly targeting rural areas of New Mexico.
 - Remote work positions will be based on job functions, operational needs, and strategic analysis.
 - Employees in remote work positions must be full-time residents of New Mexico and will be evaluated based on their completion of job functions.
- **Effective Date:**
 - The provisions of this act will take effect on July 1, 2025.

FISCAL IMPLICATIONS

- Overall, HB264 is likely to result in increased expenditures for the state to cover higher wages, enhanced leave benefits, and the implementation of remote work policies.
 - **Accrual Rates:** HB264's proscribed leave accrual rates add additional leave at different amounts, with employees whose service is between 11-14 years and 15+ years gaining fewer hours.

Years of Service	Current Accrual Rate	Proposed Accrual Rate	Difference	Yearly Additional Accrual
1-3	3.08	4.62	1.54	40.04
3-7	3.69	5.54	1.85	48.1
7-11 (14)	4.61	6.46	1.85	48.1
11-15 (14+)	5.54	6.46	0.92	23.92
11-15 (14+)	5.54	7.39	1.85	48.1
15+	6.15	7.39	1.24	32.24

- Assuming one additional week per executive branch employee at the current rate of pay, the state budget will be impacted by **\$30,014,014.32** in paid time. Additionally, the higher accruals could potentially lead to higher leave time payouts upon termination.
- State agencies likely have not included these additional costs in their budgets, and HB264 does not identify any additional funding mechanisms for them.

- **Paid Parental Leave:**

- State Agencies, including judicial and legislative branch entities, will need to perform a detailed analysis of the cost burden of 12 weeks of paid parental leave and could potentially have on their base budgets for FY26.
 - State agencies will likely see increases in total compensation costs for existing and budgeted employees based on parental and possibly see additional costs for temporary replacement workers to maintain service levels.
 - State agencies likely have not included these additional costs in their budget, and HB264 does not identify any additional funding mechanisms for these costs.

- **Remote Work Policy:**

- To implement remote work programs, state agencies will be required to provide upfront capital for initial set-up costs, such as leasing alternative work locations and providing necessary technology and equipment for remote work.
 - State agencies likely have not included these additional costs in their budget, and HB264 does not identify any additional funding mechanisms for these costs.
 - After initial start-up costs are paid, state agencies could see long-term savings on office space and related expenses.

SIGNIFICANT ISSUES

- **Multifamily Parental Leave:** Based on HB264's current language, up to four (4) state employees will be eligible to take parental leave for the birth or adoption of a single child.
 - If both parents, including each parent's domestic partner, are eligible employees, each parent and their partner would be entitled to take parental leave for the same child. The state would pay 48 weeks of parental leave for the birth of a single child.
- **Effect of CPI:** As the previous year's Consumer Price Index will increase the \$15 minimum wage prescribed by HB264 starting in FY26, there is a risk that employees hired after January 1 in a given fiscal year may be subject to a raise or decrease in minimum wage within six months of hire.

PERFORMANCE IMPLICATIONS

- **Out-of-State Employees:** The state of New Mexico currently employs employees who reside in other states and who commute regularly from other states. Under HB264, these employees would not be eligible for remote work.

ADMINISTRATIVE IMPLICATIONS

- Overall, HB264 will require significant planning, coordination, and resources to implement the new policies effectively and ensure compliance across all state agencies and institutions.
 - **Implementation of Increased Minimum Salary:**
 - State agencies and educational institutions will need to adjust their payroll systems to ensure compliance with the new minimum salary rate of \$15.00 per hour starting July 1, 2025.
 - Annual adjustments based on the consumer price index will require ongoing administrative oversight to update salary rates accordingly.
 - **Annual Leave Accrual Rates:**
 - Human resources departments will need to update leave accrual policies and systems to reflect the new accrual rates effective July 1, 2026.
 - Tracking and managing leave balances will become more complex, especially with varying accrual rates based on years of service and collective bargaining agreements.
 - **Paid Parental Leave:**
 - HR departments will need to establish procedures for administering twelve weeks of fully paid parental leave, including eligibility verification and leave tracking.
 - Coordination will be required to manage workloads and staffing during employees' parental leave periods.
 - **Remote Work Policy:**
 - Agencies will need to develop and implement remote work programs, including policies and guidelines for eligibility, performance evaluation, and communication standards.
 - Administrative efforts will be needed to designate remote work locations, provide necessary technology and support, and ensure compliance with remote work policies.
 - Regular assessments and adjustments may be required to optimize the remote work program and address any operational challenges.
 - **Compliance with Collective Bargaining Agreements:**
 - HB264 includes provisions that do not apply if they conflict with current collective bargaining agreements. This will require careful review and

coordination with labor unions to ensure compliance and address any discrepancies.

- Training and Communication:
 - Training programs will be necessary to educate employees and managers about the new policies and procedures related to salary adjustments, leave accrual, parental leave, and remote work.
 - Clear communication strategies will be essential to ensure all employees are aware of the changes and understand how they will be affected.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- HB264 conflicts with HB11 (Paid Family & Medical Leave Act).
 - The primary conflict between HB 11 and HB 264 lies in the scope of leave provided to state employees.
 - HB 11 establishes a comprehensive paid leave program covering various life events (family, medical, safe, and qualifying exigency leave), while HB 264 focuses solely on paid parental leave.
 - While both bills allow for at least 12 weeks of leave, HB 11's 12-week allowance for family leave is separate from its allowance for other leave types, whereas HB 264 provides a minimum of 12 weeks for parental leave with no other leave types specified.
 - Additionally, HB 11's leave program is funded by contributions and administered by the Workforce Solutions Department, while HB 264 does not specify a funding mechanism or administrative body for its paid parental leave.
 - Finally, the effective dates for the leave provisions differ, with HB 11's leave compensation starting on January 1, 2028, and HB 264's paid parental leave effective on July 1, 2026.
 - As both bills defer to collective bargaining agreements where those agreements provide more expansive benefits, the passage of HB11 and HB264 will create Significant confusion on leave available to state employees governed under a collective bargaining agreement.
 - Additionally, HB264 does not require leave to run concurrently with FMLA or any other state leave. If HB11 and HB264 are enacted as written, the two leave programs could be used consecutively, with FMLA leave granting state employees 24 weeks of paid leave and an additional entitlement to another 12 weeks of unpaid leave (where annual or sick leave accruals could be used).

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

N/A.

ALTERNATIVES

- HB 11 is an alternative to HB264.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A.

AMENDMENTS

N/A.