

**LFC Requester:****Rachel Mercer-Garcia****AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**  
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**SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared** 2/6/25 *Check all that apply:*  
**Bill Number:** HB0305 Original  Correction   
 Amendment  Substitute

**Sponsor:** Rebecca Dow and Miguel P. Garcia **Agency Name and Code Number:** Dept. of Workforce Solutions-631  
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**Short Title:** Public Contract Reimbursement & Wages **Phone:** 505-263-3187

**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
0	0		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
0	0	0		

(Parenthesis ( ) indicate revenue decreases)

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

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	Indeterminate, would depend on underlying					

	minimum wage or other increase.					
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(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:

House Bill 305 (HB 305) proposes adding a new section to the New Mexico Minimum Wage Act (MWA) applicable to state agency contracts for services by requiring such contracts to include: (1) a provision ensuring that contractors and subcontractors receive increased reimbursement to offset higher costs resulting from state-mandated minimum wage increases or other legally required benefits, and (2) a requirement that workers earning the state minimum wage under such contracts receive pay increases concurrent with any state minimum wage hikes. HB 305 would take effect July 1, 2025.

**FISCAL IMPLICATIONS**

HB 305, Section A(1) is unclear as to who will be responsible for funding the wage differential for an increase in the minimum wage if a contractor or subcontractor is to be “held harmless.” Yet, Paragraph A(2) makes it a requirement that the individuals employed by a contractor or subcontractor shall receive the minimum wage increase. Held harmless should be defined., as the common legal definition would not seem to apply. If the intent is to automatically increase the contract amount to include the wage differential, this is an impracticable unfunded mandate as written. In the absence of a currently planned increase to minimum wage or “other cost increase resulting from statutory benefits,” it is not possible to estimate the fiscal impact.

**SIGNIFICANT ISSUES**

HB 305 effectively shifts the financial burden of state-mandated minimum wage increases and other legally required cost increases from contractors and subcontractors with state service contracts to taxpayers, creating an uneven playing field. While private businesses must absorb wage hikes and increased statutory costs on their own, government contractors would be reimbursed, giving them a financial advantage over non-contracted businesses. This raises questions of fairness and economic distortion, as it selectively shields certain employers from the costs of compliance while leaving others to bear them.

Contractors bidding on state service contracts should already be factoring in expected minimum wage increases, particularly given that historically bills contemplating minimum wage increases tied such increases to the Consumer Price Index.

The bill would also create procurement unfairness. In an RFP process, a bidder who proposes higher costs because of higher wages would be penalized, even though a bidder who proposes lower labor costs and then must absorb minimum wage or other increases would ultimately have those covered

The bill does not appear to address potential accountability mechanisms to ensure that increased reimbursements are used solely for wage and benefit adjustments rather than boosting contractor profits.

#### **PERFORMANCE IMPLICATIONS**

DWS's budget would be impacted by unfunded contract price increases, which would result in cuts in other areas that would impact performance. It is not possible to estimate this as explained above.

#### **ADMINISTRATIVE IMPLICATIONS**

Same as above.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill relates to all proposals to increase minimum wage or to increase or impose new employee benefit payments. This bill also relates to HB 119, which takes a different approach to the same underlying issues.

#### **TECHNICAL ISSUES**

None.

#### **OTHER SUBSTANTIVE ISSUES**

None.

#### **ALTERNATIVES**

HB 119.

#### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Contractors will continue to need to factor increasing costs into their bids for public contracts.

#### **AMENDMENTS**