| LFC Requester: | Rachel Mercer-Garcia |
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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:** 2/21/25
**Bill Number:** HB522

*Check all that apply:*
Original X Correction __
Amendment __ Substitute __

**Sponsor:** Rep. Miguel Garcia
**Short Title:** Wage Increase for Certain Employees

**Agency Name and Code Number:** HCA 630
**Person Writing** Carolee Graham
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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 | - |
| | | | |

(Parenthesis ( ) indicate expenditure decreases)

### REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|
| FY25 | FY26 | FY27 | | |
| **$0.0** | **$0.0** | **$0.0** | 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 |
|---|---|---|---|---|---|---|
| **Professional contracts** | $0.0 | $3,500.0 | $3,591.0 | $7,091.0 | Recurring | GF |
| **Professional contracts** | $0.0 | $3,500.0 | $3,591.0 | $7,091.0 | Recurring | FF |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Administrative support** | $0.0 | $59.9 | $59.9 | $119.8 | Recurring | GF |
| **Administrative Support** | $0.0 | $67.5 | $67.5 | $135.0 | Recurring | FF |
| **Total** | NA | $7,127.4 | $7,309.4 | $14,436.8 | Recurring | GF/FF |

(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**

HB522 includes amendments that:

- States the state minimum wage rate will be adjusted annually based on the Consumer Price Index (CPI) to reflect changes in the cost of living.
- Stipulates certain tipped employees are to receive an hourly wage equal to 25% of the prevailing state minimum wage, in addition to their earned tips.

The bill also directs that effective July 1, 2025, all state agency service contracts must:

- Include provisions ensuring that contractors and subcontractors are reimbursed adequately to offset any state-mandated minimum wage increases.
- Mandate that employees paid the state minimum wage under these contracts receive wage increases concurrent with any state minimum wage hikes.

Finally, the bill introduces a definition for "consumer price index" within the Minimum Wage Act, specifying it as the CPI for all urban consumers, U.S. city average for all items, as published by the U.S. Department of Labor for the twelve-month period ending on September 30.

**FISCAL IMPLICATIONS**

HB522 would require the HCA to reimburse contractors and subcontractors for increases in minimum wages and any changes in statutory mandated benefits, and other costs as mandated by law. In FY 2025 HCA's professional service contracts across all division are expected to be $660 million, covering 561 vendors (1,507 purchase orders). HCA MAD represents approximately $178 million of this expenditure on its professional service contracts with 97 unique vendors (120 purchase orders). HCA's contractual arrangements would be subject to change in the course of reflecting any future adjustments in New Mexico's minimum wage rate, as required by HB 305.

Increases in New Mexico's minimum wage threshold typically stem from increases in price indices (e.g. a consumer or producer price index), so that service vendors and goods producers are held harmless in making cost-of-living adjustments for services rendered or goods purchased. Based on this common practice, HCA's professional contractual expenses would increase under HB522 due to inflationary trends. For example, if the consumer price index increased by 2.6% in FY 2025, then professional service contracts in FY 2026 would adjust upward from $660 million to $667 million, an increase of $7 million from wage increases (exclusive of changes in statutory benefits). Of course, minimum wage adjustments may often relate to specific policies besides inflationary trends. However, the specific wage implications of these policy changes would need to be understood in order to determine their fiscal impacts.

*HCA Administration Costs*

Given that federal funds, especially those allocated through grants or specific programs, often come with strict deadlines and time frames for expenditure, it is essential to use these funds within the required period to avoid returning them to the federal government. This creates a strong incentive for funding recipients to ensure the funds are spent appropriately, efficiently, and in compliance with federal regulations.

As the workload increases due to these time-sensitive federal funding requirements, the HCA would require one additional FTE to manage the demands effectively. Therefore, adding one FTE will ensure the proper management of funds, enabling their timely and appropriate utilization while minimizing the risk of non-compliance or fund reallocation.

Another important consideration is the impact of minimum wage rates. While most contractors are paid above the minimum wage, small contracts typically range from $60,000 to $120,000 annually.

| Range | Classification | Hrly | Salary | Benefits | Total |
|---|---|---|---|---|---|
| 75 | Financial Coordinator III Contracts | 38.46 | 80,304.48 | 32,121.79 | 112,426.27 |
| | | | 80,304.48 | 32,121.79 | 112,426.27 |
| | | | | | |
| | Operating Cost $15K per employee | | | | 15,000.00 |
| | | | | Total Need | 127,426.27 |
| | | | | FF | 67,535.92 |
| | | | | GF | 59,890.35 |

*HCA Program Costs*

Annual inflation adjustments to the current minimum wage of $12/hr. has a very modest impact on the wages and earnings of Home Health & Personal Aides and Personal Care & Service Workers. However, these inflationary adjustments would not have a fiscal impact on HCA-MAD's programmatic costs, because they are currently captured in the program's capitation rate development and program budget (based on the CPI-U index of the Bureau of Labor and Statistics of the US Department of Labor.) Furthermore, annual inflation adjustments to the current minimum wage do not impact eligibility and enrollment in HCA's Medicaid and Income Support programs, because the US Department of Health and Human Services (HHS) updates eligibility poverty thresholds annually (based on the CPI-U index) and therefore would not impact the eligibility conditions of Medicaid/SNAP recipients.

**SIGNIFICANT ISSUES**

Resetting wage rates each year 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 public comment, obtaining Centers for Medicare and Medicaid Services approval for wage changes, posting new fee schedules, and adjusting annual budgets for waiver programs.

**PERFORMANCE IMPLICATIONS**

None

**ADMINISTRATIVE IMPLICATIONS**
Having to process amendments would increase workloads for contract managers, contract analysts Department of Finance and Administration budget division and General Services Division Contracts Review Bureau. Having to process amendments takes time having to obtain signatures and approvals from other agencies. Agencies may not have positions for additional staff to help with increased work loads.

No IT system impact related to this bill. As noted above, changes may result in higher HCA contract costs.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**
HB522 would increase contractual costs to reflect minimum wage adjustments. HB 246 proposes an increase in New Mexico's minimum wage from $12 per hour to $17 per hour. Accordingly, the two bills would have a co-related impact on HCA's professional contract costs and administrative supports.

**TECHNICAL ISSUES**
NA

**OTHER SUBSTANTIVE ISSUES**
None

**ALTERNATIVES**
NA

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**
Status quo

**AMENDMENTS**
NA