

LFC Requester:

Rachel Mercer-Garcia

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 *Check all that apply:*
Bill Number: HB0522 Original Correction
Amendment Substitute

Sponsor: Miguel P. Garcia **Agency Name and Code** Dept. of Workforce Solutions-631
Person Writing Analysis: Sarita Nair
Short Title: Wage Increases for Certain Employees **Phone:** 505-263-3187 : **Email:** Evan.Sanchez@dws.nm.gov

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)

^[1] See Economic Policy Institute: “Minimum Wage Tracker,” (Jan. 1, 2025), available at https://www.epi.org/minimum-wage-tracker/?utm_source=chatgpt.com (last visited Feb. 21, 2025).

^[1] See NM Dept. of Workforce Solutions: “New Mexico Labor Market Review” (Nov. 2024) at 4, available at https://www.dws.state.nm.us/Portals/0/DM/LMI/LMRNov24.pdf?utm_source=chatgpt.com (last visited Feb. 21, 2025).

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	0	0			

(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 522 (HB 522) proposes several changes to New Mexico’s **Minimum Wage Act (MWA)**, primarily aimed at ensuring wages keep pace with inflation and that public contractors remain adequately reimbursed for wage increases. The bill takes effect on **July 1, 2025** and would establish a system where wages automatically adjust to inflation, ensuring that the minimum wage remains relevant over time while also seeking to protect contractors and tipped employees.

First, beginning in 2026, the state minimum wage will be subject to annual cost-of-living adjustments based on the Consumer Price Index (CPI). The increase will be calculated by comparing the CPI from September of the previous year to that of 2024, ensuring that wages reflect economic conditions while capping increases at 4% per year. The minimum wage will not decrease, even if the CPI drops.

Next HB 522 proposes a change to tipped employee pay. The adjustment establishes that tipped employees will receive a minimum wage that is 25% of the state minimum wage as base wages, with tips supplementing their earnings to meet or exceed the full minimum wage. Currently, tipped employees receive a set tipped minimum wage of \$3 per hour, so HB 522 would set up a system whereby the tipped minimum wage would automatically increase in accordance with any automatic increases to the statewide minimum wage. Under HB 522, employers of tipped employees would still be able to claim a tip credit in accordance with existing requirements.

Finally, under this bill, public contracts would be required to provide for reimbursement adjustments to ensure contractors and subcontractors are not financially disadvantaged by minimum wage increases. Any state agency that contracts for services must include provisions for increasing reimbursement to cover higher wages. Also, employees working under such contracts must receive wage increases concurrent with minimum wage hikes.

FISCAL IMPLICATIONS

Note: Major assumptions underlying fiscal impact should be documented.

Note: If additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

HB 522 proposes automatic annual adjustments to New Mexico's minimum wage based on the Consumer Price Index (CPI), aiming to align wages with inflation. While this approach offers predictability, it introduces potential economic risks, such as increased labor costs potentially impacting job availability.

Several states, including Alaska, Arizona, Colorado, and Washington, have implemented similar CPI-based automatic minimum wage increases.^[1] These states generally benefit from more robust private-sector economies compared to New Mexico. New Mexico's private sector employment grew by 1.4% over the past year. By contrast, the state's public sector employment grew by 1.6%.^[2] This indicates a relatively modest private-sector expansion. In contrast, states with automatic wage adjustments often have diverse and thriving private industries, which can better absorb the impacts of wage increases. New Mexico's economy, however, relies heavily on federal and state employment, with a significant portion of job growth occurring in the public sector. Implementing automatic minimum wage hikes in such an economic landscape could yield different and uncertain outcomes, potentially affecting the state's ability to attract and sustain private businesses.

Therefore, while aligning wages with inflation aims to support workers' purchasing power, it's crucial to consider New Mexico's unique economy. The potential impacts on job availability and business attraction require careful analysis to ensure that such policy changes foster both economic growth and employment opportunities within the state.

As far as the increased reimbursement provisions of the bill are concerned, there are several issues to consider. Like this session's House Bill 305, HB 522 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. 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. *See* Fiscal Impact Report by DWS for HB 305.

The Department of Workforce Solutions (DWS) will publish the cost-of-living rate based on the calculation provided on the DWS website by November 1st of 2025 and each November 1st thereafter or notify employers through other means for the cost-of-living increases.

ADMINISTRATIVE IMPLICATIONS

The administrative requirements for the DWS can be met with current staffing and resources. No complications are anticipated by announcing cost-of-living rates for the upcoming year.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 522 relates to other bills introduced in the 57th Legislature (Regular), including House Bill 246 (Roybal Caballero) which, like HB 522, proposes automatic increases to the minimum

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wage based on the CPI, and House Bill 305 (Dow and M. Garcia), providing for increased reimbursement to contractors and subcontractors in public contracts with the state in order to offset increased costs associated with automatic increases to the statewide minimum wage.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS