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FISCAL IMPACT REPORT

SPONSOR:	Malooof	DATE TYPED:	02/03/00	HB	
SHORT TITLE:	Increase State Minimum Wage			SB	300
				ANALYST:	Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
NFI	NFI	NFI	N.A.	N.A.

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to None

SOURCES OF INFORMATION

Labor Department

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 300 increases the state minimum wage \$4.25 to \$5.65 until July 1, 2002 effective in May 2000, and to \$6.15 an hour effective July 1, 2003. The bill also increases the minimum wage paid for employees regularly receiving more than \$30.0 per month from tips from \$2.125 per hour to \$2.825 effective in May 2000 until July 1, 2002, and then to \$3.075 per hour after July 1, 2003.

The bill provides a training wage for employees below 20 years of age. The training wage must be at least 85% of the current minimum wage and is limited to 90 days.

Significant Issues

The current state minimum wage is below the federal minimum wage of \$5.15 per hour. However, according to the New Mexico labor department, employers are required to pay the federal minimum unless a business can demonstrate it is not involved in interstate commerce. Discussions with labor department staff indicate that there are few if any businesses in the state paying below the federal minimum.

Standard economic theory suggests that an increase in the minimum wage will result in increased unemployment. Thus, the New Mexico labor department reports that increasing the minimum wage could result in a small increase in the unemployment rate. Studies of the employment impacts of the minimum wage have generally found that those most impacted are teen age workers. The bill's inclusion of a training wage will help to mitigate this impact.

FISCAL IMPLICATIONS

Increasing the minimum wage has no direct fiscal impact to state revenues. Indirect impacts are difficult to assess and could be positive or negative. On the positive side, increased wages result in increased buying power and gross receipts tax revenues. On the negative side, the increase could result in fewer persons being employed or decreased business profits than would otherwise be the case, resulting in lower incomes and purchasing power for those groups. Given the relatively modest increase proposed in the bill, any indirect fiscal impacts are uncertain but likely to be small.

ADMINISTRATIVE IMPLICATIONS

The labor department reports that to effectively enforce the higher wage, they would need additional FTE, costing \$349 thousand.

TECHNICAL ISSUES

The bill does not carry an effective date. Thus, the proposed increase would become effective 90 days after the end of the session.

The labor department notes that the bill increases the minimum wage rate until July 1, 2002, and then raises it after July 1, 2003, thus leaving the period between July 1, 2002 and July 1, 2003 uncovered.

OTHER SUBSTANTIVE ISSUES

The labor department suggests the alternative of increasing the state minimum wage to federal levels.

BT/gm