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## FISCAL IMPACT REPORT

**SPONSOR** Campos **ORIGINAL DATE** 02/10/14  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_

**SHORT TITLE** State & State Education Minimum Wage **SB** 322

**ANALYST** Daly

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

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$312.8	\$2,805.0	\$2,805.0	\$5,922.8	Recurring	Various
	\$81.0	\$650.0	\$650.0	\$1,302.0	Recurring	UNM Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

Conflicts with HB 213, HB 275, HJR 9, SB 285, SB 319 and SJR 13.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Workforce Solutions Department (WSD)  
 State Personnel Office (SPO)  
 University of New Mexico (UNM)

### SUMMARY

#### Synopsis of Bill

Senate Bill 322 raises the minimum wage to \$10.10 per hour for all state employees and every person employed at a state educational institution except student employees as defined by the Higher Education Department.

### FISCAL IMPLICATIONS

The figures set forth above on the first line of the Estimated Operating Budget Impact Table above are based on SPO analysis and reflect the cost to state agencies of the minimum wage increase set out in this bill: there are currently 766 employees making less than \$10.10 per hour, so raising these employees to the new minimum, including a benefit factor of 26.24 percent will cost approximately \$312.8 thousand from May 21, 2014 (the bill's effective date) through June

30, 2014. For FY 15 and thereafter, that number increases to approximately \$2.8 million annually. Those in the second line are based on figures provided by UNM in its analysis, including both I & G and Non-I & G Annual Cost of Difference, and are set out as an example of the cost of implementing SB 322's wage increase by state educational institutions.

The bill contains no adjustments upward in any future year.

### **SIGNIFICANT ISSUES**

SPO suggests SB 322 may assist the state and state educational institutions in attracting more qualified workers and retaining current workers by offering higher starting salaries than mandated in the private sector. Lower vacancy rates and turnover would assist state agencies in achieving their statutory missions and better serving New Mexico citizens.

UNM advises that the increase in minimum wage in this bill will impact approximately 671 staff employees, will cause major compression issues that will have to be addressed. Seventy-six job classifications will all be valued at the same grade, and hierarchy and distinction of levels and categories of jobs will no longer be relevant at the support/semiprofessional level. For example, custodians, drivers, grounds technicians, movers, painters, and cashiers will now be valued as almost equivalent to classifications such as dental assistants, expeditors, fiscal service technicians and health services research technicians, as well as approximately 80 more classifications at a similar level. The population impacted consists mainly of union employees, so contracts will need to be renegotiated.

WSD notes that SB 322 does not apply to private sector employees. The current minimum wage rate in New Mexico is \$7.50, which is greater than the federal minimum wage. State minimum wage rates are controlled by the respective legislatures within the individual states. The Fair Labor Standards act sets a federal minimum hourly rate (\$7.25 per hour since 2009) for non-exempt employees, but states may enforce higher pay rates. If an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher of the two minimum wages. SPO notes that, according to a January 22, 2014, article in the Santa Fe New Mexican, the highest minimum wage in the nation is in SeaTac, Washington at \$15.00 an hour. San Francisco is the second highest at \$10.74 an hour, while Santa Fe is the third highest, with the \$10.66 an hour minimum wage that goes into effect on March 1, 2014.

Further, WSD advises that if New Mexico's minimum wage for affected employers increased to \$10.10 per hour, this would reflect approximately a 35 percent increase of the current minimum wage. New Mexico would have the highest minimum wage in the country with respect to the affected employers. WSD also notes that none of New Mexico's neighboring states (Colorado, Utah, Arizona, Texas and Oklahoma) have minimum wage rates specific to state employees.

### **PERFORMANCE IMPLICATIONS**

WSD reports that the impact to the Labor Relations Division will be relatively minimal. Such costs will include updating website information, Wage and Hour employer/employee presentations and any additional publications which have a published minimum wage rate. The department's Wage and Hour Bureau of the Labor and Industrial Division enforces the Minimum Wage Act, but it does not believe that SB 322 would significantly increase the number of wage claims.

## ADMINISTRATIVE IMPLICATIONS

SPO advises the classified service salary structure would need to be reviewed and adjusted upward as appropriate if the new minimum wage was higher than the minimum of the lowest pay range. Currently, the minimum rate of pay band 25 is \$7.50 per hour, and the minimum rate of pay band 30 is \$7.59 per hour. If SB 322 is enacted, these pay band structural issues would be addressed by SPO.

## CONFLICT

Pending bills on the topic of raising the minimum wage and which conflict to some extent with SB 322 include:

- SJR 13 proposes a constitutional amendment that raises the minimum wage from \$7.50 to \$7.71 and requires annual upward adjustments linked to the consumer price index.
- HJR 9, a duplicate of SJR 13, also raises the minimum wage and requires annual upward adjustments linked to the consumer price index.
- HB 213 raises the minimum wage from \$7.50 per hour to \$10.10 per hour, with annual upward adjustments linked to the consumer price index.
- HB 275 raises the minimum wage to \$12 per hour for state employees and employees of state educational institutions other than student employees, with no provision for upward adjustments.
- HB 285 raises the minimum wage from \$7.50 to \$8.00 per hour, except the minimum wage for employees of small employers who employ ten or fewer employees and employers of trainee employees would be \$7.50.
- SB 319 raises the minimum wage from \$7.50 per hour to \$10.10 per hour for all state employees and persons employed at a state educational institution except student employees, and requires annual upward adjustments.

## TECHNICAL ISSUES

There is no effective date on the bill. As a result, the bill becomes effective May 21, 2014, which may make implementation of the required wage increase difficult.

## OTHER SUBSTANTIVE ISSUES

The National Conference of State Legislatures reports the following minimum hourly wages for states near New Mexico:

- Arizona - \$7.90 (rate is increased annually based on a cost of living formula)
- California - \$8.00 (\$9.00 eff. 7/1/2014, \$10.00 eff. 1/1/2016)
- Colorado - \$8.00 (rate is increased annually based on a cost of living formula)

- Oklahoma - \$7.25
- Nevada - \$8.25 w/o health benefits, \$7.25 with health benefits (adjustments subject to increases in the federal minimum wage, tied to CPI)
- Texas - \$7.25
- Utah - \$7.25

SPO cites the Economic Policy Institute December, 2013 report which provides a state-by-state breakdown of the characteristics of workers that would be affected by a federal minimum wage increase to \$10.10 by 2016 (<http://s2.epi.org/files/2013/minimum-wage-state-tables.pdf>). Of the New Mexico population, a federal increase would affect nearly 21.8 percent of working women and 16.0 percent of working men. The age group that would benefit the most is those less than 20 years old, with 24.3 percent of the affected population being Hispanic, 13.1 percent white, non-Hispanic, 19.2 percent Asian, and 23.1 percent black. In terms of marital status, single parents benefit the most (25.7 percent). Those workers with some high school education benefit the most at 43.5 percent of the population being affected.

Some studies have argued that increases in minimum wage lead to lower employment levels. If those most likely to be subjected to the minimum wage are also those most likely to experience poverty, any decrease in employment might be counterproductive to the legislation. There is a great deal of research on the effects of raising the minimum wage; however, there has been little research on the minimum wage and its effect on homelessness. Other studies claim that minimum wage increases lead to greater purchasing power and consumer demand, which leads to greater economic growth.

In October 2012, New Mexico Voices for Children published a thorough review of the Albuquerque minimum wage economic impact, and a synopsis of the Santa Fe minimum wage impact; it is located here: <http://www.nmvoices.org/wp-content/uploads/2012/10/abq-min-wage-report-9-12.pdf>.

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