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FISCAL IMPACT REPORT

SPONSOR <u>Garcia, M.</u>	LAST UPDATED <u>2/9/23</u>
	ORIGINAL DATE <u>1/23/23</u>
SHORT TITLE <u>State Minimum Wage Cost-of-Living Increase</u>	BILL NUMBER <u>House Bill 28/aHLVMC</u>
	ANALYST <u>Chenier</u>

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	Indeterminate, likely positive	Indeterminate, likely positive	Recurring	Personal Income Tax
	Indeterminate, possibly negative	Indeterminate, possibly negative	Recurring	Corporate Income Tax
	Indeterminate, likely positive	Indeterminate, likely positive	Recurring	Gross Receipts Tax

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	\$87.5	\$91.9	\$179.4	Recurring	General Fund
	No fiscal impact	\$3,692.5	\$7,385.0	\$11,077.5	Recurring	HSD Medicaid Waiver Federal and State Funds
Total		\$3,780.0	\$7,476.9	\$11,256.9	Recurring	

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to the committee substitute for House Bill 25

Sources of Information

LFC Files

Responses Received From

Workforce Solutions Department (WSD)
 State Personnel Office (SPO)
 Economic Development Department (EDD)
 Aging and Long-Term Services Department (ALTSD)
 Human Services Department (HSD)

SUMMARY

Synopsis of HLMVC Amendment

The House Labor, Veterans, and Military Affairs amendment to House Bill 28 adds a definition for consumer price index and moves the effective date of minimum wage indexing from July 1, 2023, to January 1, 2024. The amendment changes the calculation for the indexed minimum wage, and how WSD would be required to notify employers of the adjustment.

Synopsis of Original Bill

House Bill 28, starting at the current \$12 hourly minimum wage rate, indexes wage rates and tipped worker wage rates to the consumer price index for urban consumers (CPI-U) starting July 1, 2023 and each year thereafter. Each year on May 1st WSD would post on its website indexed minimum wage rates for the following January. There would be no decrease if CPI-U rates decreased. Employers can still claim a tip credit for tipped workers (defined as workers customarily receiving \$30 a month in tips) so long as tips combined with the employer’s cash wage meet or exceed the statewide minimum wage.

The effective date of the bill is July 1, 2023.

FISCAL IMPLICATIONS

Given the current \$12 hourly minimum wage and LFC’s recommendation for an FY24 salary adjustment of 5 percent, no state workers or public-school employees who currently earn \$12 hourly or more would be affected by HB28 as amended by the House Labor, Veterans and Military Affairs Committee (HB28/aHLVMAC). The projected \$12.37 hourly wage rate for 2024 was calculated using projected CPI-U. Projected minimum wage rates using projected CPI-U over 10 years are shown below.

Projected Annual Minimum Wage Rate Adjustment Using Projected CPI	
	Projected Wage Increase
2023	
2024	\$ 12.37
2025	\$ 12.63
2026	\$ 12.87
2027	\$ 13.15
2028	\$ 13.44
2029	\$ 13.73
2030	\$ 14.01
2031	\$ 14.30
2032	\$ 14.60
2033	\$ 14.90

HSD provided the following:

The minimum wage rate increase from \$12.00 to \$12.78 applying the 6.5% December 2022 CPI-U will increase the Medicaid costs by about \$7,385.0 thousand (\$5,410.0 thousand federal share, \$1,975.0 thousand general fund). HSD used the Workforce Solutions occupational data for healthcare workers earnings to determine the number of healthcare workers below the new minimum wage.

The bill ties an annual COLA to the statewide New Mexico minimum wage, currently \$12/hour, while allowing “certain tipped employees” to receive an hourly wage that is 25 percent of the minimum wage rate plus tips. The impact analysis on HSD enrollments for need-based programs raises significant and technical issues regarding how the Bill applies COLA adjustments relative to that used by the US Department of Health and Human Services for making annual adjustments to the US Federal Poverty level(s); that is, the mechanism used nationwide for setting thresholds for need-based program eligibility. HSD applies this COLA mechanism in administering the State’s need-based programs. Note that in 2021 the 100% FPL was \$12,880 for an individual, compared to \$13,590 in 2022 and \$14,580 in 2023. The increase corresponds directly to COLA adjustments by design, to avoid eligibility disruptions due to fluctuations in the general level of prices, i.e. inflation. The Federal Register provides an update of the Department of Health and Human Services (HHS) poverty guidelines to account for last calendar year’s increase in prices as measured by the Consumer Price Index (CPI-U). The 2023 FPL guidelines reflect an 8.0 percent price increase between calendar years 2021 and 2022. See [2023-00885.pdf \(govinfo.gov\)](#). Accordingly, eligibility for need-based programs could potentially be impacted if the COLA exceeds 8% of the current minimum wage, or what’s equivalent to a \$12.96 wage/hour.

WSD stated that each time wage and hour laws change, they see an uptick in claims. The Labor Relations Division (LRD) is experiencing over twice the number of claims it experienced last year. The bill would likely increase the workload requiring an additional FTE to investigate employee claims of noncompliance by employers as well as contribute to education and outreach activities.

The effective date of the bill is July 1, 2023.

SIGNIFICANT ISSUES

Using data from the Occupational Employment and Wage Statistics (OEWS) survey and processed through the Local Employment and Wage Information System (LEWIS) software, it is estimated that about 161.5 thousand workers make \$12 or less in New Mexico. The median hourly wage in New Mexico in 2021 was \$18.18.

SPO states the bill will directly increase the operating costs of state government once the minimum wage provided by the bill exceeds the current \$15 per hour minimum wage for classified state employees. At that point, the minimum wage increases will also result in moderate levels of compaction, which will require additional funding to address.

For the 2019 bill that phased in minimum wage rate increases to \$12 hourly, the Human Services Department stated the minimum wage increase would impact the Medicaid budget because of expected increased expenses requiring general fund support.

On the same 2019 bill, the Department of Health (DOH) reported there could be a general fund impact on the developmental disabilities waiver program (DD Waiver) and other state general fund programs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB28/aHLVMC relates to the committee substitute for HB 25 which adjusts the minimum wage rate to \$15 hourly and indexes it to the consumer price index.

EC/rl/ne/al/hg