LFC Requester:	

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: 2/5/25   *Check all that apply:*
Bill Number: HB246   Original ___ *X* Correction __
                              Amendment __ Substitute __

Sponsor: Patricia Roybal Caballero

Agency Name and Code Number: Economic Development Department 41900

Short Title: INCREASE MINIMUM WAGE

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	**FY26**		

(Parenthesis ( ) indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	**FY26**	**FY27**		

(Parenthesis ( ) indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(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 246 seeks to increase the minimum wage in New Mexico to $17 per hour, starting January 1, 2026. Starting January 1, 2027, and every January 1 thereafter, the minimum wage will increase by the same rate as the Consumer Price Index (CPI), with the end of September as the measuring point. A flat or negative change to the CPI will mean the minimum wage stays flat.

For example, if the CPI on Sept. 30, 2026, is 10% greater than the CPI on Sept. 30, 2025, the minimum wage on January 1, 2027 will be $18.70 per hour (10% above $17). If there is no increase or a decrease between these "end of September" CPIs in consecutive years, the minimum wage shall remain flat.

HB 246 also eliminates a lower-tiered minimum wage for employees who regularly receive at least $30 per month in tips.

This bill also removes several exceptions from the definition of "employee."

FISCAL IMPLICATIONS

State and local governments should anticipate a raise in the salary floor for its employees as a reaction to the mandated increase to the private sector. A baseline of 20% should be considered a minimum assumption.

SIGNIFICANT ISSUES

A significant issue is the immediate increase from $12.00 per hour to $17.00 per hour, with businesses given roughly nine months to prepare for a $5.00 per hour increase, or about 36 percent.

This contrasts with the approach the state took in 2019, with more than four years of incremental increases and gradually increasing the wage by a total of $4.50. No year-to-year increase was greater than $1.50 an hour or 20%, as shown below:

Year	NM Minimum Wage	Wage Increase ($)	Wage Increase (%)
2019	$ 7.50	N/A	N/A
2020	$ 9.00	$ 1.50	20.00%
2021	$ 10.50	$ 1.50	16.67%
2022	$ 11.50	$ 1.00	9.52%
2023	$ 12.00	$ 0.50	4.35%

Tying a minimum wage increase to CPI is a practice adopted in the neighboring states of Colorado (currently $14.81 per hour) and Arizona ($14.70 per hour). Long-term impacts are still difficult to calculate, as Colorado began this method in 2020 and Arizona followed suit in 2021. Texas' minimum wage remains at $7.25 per hour.

Working under the assumption HB246 passes as currently written, it is likely the CPI-guided wage increases will result in lower-percentage increases than what was seen in New Mexico from 2019 to 2023. The following chart uses a similar metric for Colorado's minimum wages starting in 2020, the year the state began tying wage increases to CPI.

Year	CO Minimum Wage	Wage Increase ($)	Wage Increase (%)
2020	$ 12.02	$ 0.02	0.17%
2021	$ 12.32	$ 0.30	2.50%
2022	$ 12.56	$ 0.24	1.95%
2023	$ 13.65	$ 1.09	8.68%
2024	$ 14.42	$ 0.77	5.64%
2024	$ 14.81	$ 0.39	2.70%

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

A CPI-based wage adjustment model could be considered with a lower first-year increase in the minimum wage.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The minimum wage shall remain $12.00 per hour.

AMENDMENTS