LFC Requester:	Simon

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: 2/4/25 *Check all that apply:*
Bill Number: HB 264

Original	X	Correction	
Amendment		Substitute	

Sponsor: Rep. Caballero

Agency Name and Code Number: NM DoIT – 361

Short Title: State Employee Salaries, Leave & Retention

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
0	0		

(Parenthesis ( ) indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
0	**0**	**0**		

(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		435	290	1,015	290 recurring	Enterprise Services

(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 264 (HB 264) would amend the minimum wage rate for state employees and state educational institutions, as well as the annual leave accrual rates and paternal leave. It would also require a plan to increase recruitment and retention.

Section 1 of HB 264 would amend Section 10-7-9 NMSA 1978 to amend the minimum wage rate of state employees and employees of state educational institutions from four hundred dollars ($400) per month to fifteen dollars ($15) per hour.

- A new provision would be added requiring the minimum wage rate to be adjusted by multiplying the minimum salary as of July 1, 2025 by a fraction, the numerator of which is the consumer price index ending in September of the previous year and the denominator of which is the consumer price index ending September 30, 2025, starting July 1, 2026 and continuing each July 1 thereafter. The provision would also prevent the minimum wage rate from being adjusted downward as a result of a decrease in the consumer price index.
- An exception would be provided if the new provisions were to run contrary to any collective bargaining agreements negotiated pursuant to the Public Employee Bargaining Act.
- A definition of "consumer price index" would be added, to mean "the consumer price index, not seasonally adjusted, for all urban consumers, United States city average for all items, or a successor index, as published by the United States department of labor for a twelve-month period ending September 30 each year."

Section 2 of HB 264 would create a new section of Chapter 10, Article 7, NMSA 1978 which would require state employees to be eligible for annual leave accrued at rates that are competitive with other public sector employers.

- Effective July 1, 2026 new accrual rates would be established as follows:
    - four and sixty-two hundredths hours per pay period if the employee has less than three years of cumulative employment;
    - five and fifty-four hundredths hours per pay period if the employee has three years or more but less than seven years of cumulative employment;
    - six and forty-six hundredths hours per pay period if the employee has seven years or more but less than fourteen years of cumulative employment; and
    - seven and thirty-nine hundredths hours per pay period if the employee has fourteen years or more of cumulative employment.
- An exception would be made to the extent that any provision of this section is more restrictive than a current collective bargaining agreement negotiated pursuant to the Public Employee Bargaining Act.
- As used in this section, "state employee" would mean "an employee as defined in Section 10-9-3 NMSA 1978; provided that the coverage of service exemptions set forth in Section 10-9-4 NMSA 1978 shall apply."

Section 3 of HB 264 would add a new section of Chapter 10, Article 7 NMSA 1878, which would, effective July 1, 2026, require state employees to be eligible for paid parental leave of at least twelve work weeks following the birth or adoption or upon gaining custody of a child. If both parents, including a domestic partner of a parent, are eligible employees, each parent or partner will receive paid parental leave.

- An exception would be made to the extent any provision of this section is more restrictive than a current collective bargaining agreement negotiated pursuant to the Public Employee Bargaining Act.
- "State employee" would have the same definition as in Section 2 of the bill.

Section 4 of HB 264 would add a new section of Chapter 10, Article 7 NMSA 1878, which would require state agencies to implement a remote work program to enhance recruitment and retention of a diverse workforce from rural areas of New Mexico.

- The requirements of these remote work programs would include:
    - stable and reliable job opportunities for rural New Mexico residents and enhanced workforce retention and talent recruitment; and
    - increased diversity, equity, inclusion and accessibility with the state as an employer.
- The remote work location would be an approved designated duty station other than the official employer work site in New Mexico.
- Eligibility for both hybrid and full-time remote work would be based on applicable job functions, nature of the work performed, operational needs and a strategic analysis of the employer's needs.
- Employees in remote work positions would be current full-time residents of New Mexico.
- Evaluation of remote work employees would be based on identification and completion of applicable job functions. While remote working, an employee will be expected to maintain the same hours of work and productivity, performance, communication and responsiveness standards as when working at the regular work site.
- An exception would be made to the extent that any provision of this section is more restrictive than a current collective bargaining agreement negotiated pursuant to the Public Employee Bargaining Act.
- "State employee" would have the same definition as in Sections 2 and 3 of the bill.

Section 5 of HB 264 would amend Section 10-9-13 NMSA 1978 to require rules adopted by the State Personnel Board to "including allowance for part-time and alternative work schedules, holiday schedules, competitive leave accrual rates and paid parental" and "a plan to designate positions eligible for full-time remote work or part-time, or hybrid, remote work for an approved work site other than a designated state work site to bring job opportunities to rural areas of the state and expand employee recruitment opportunities as part of a strategic analysis of the employer's needs."

Section 6 establishes an effective date of July 1, 2025.

FISCAL IMPLICATIONS

DoIT would not be impacted by the change to the minimum hourly rate. DoIT's current lowest salaries are above $17.00 per hour.

Currently 33% of DoIT staff are already at or near the maximum of 240 hours of leave accrual. There exists a financial liability should those employees separate, whereupon DoIT will need to forecast the payout that is required to compensate for the leave balance, based on the separating employee's hourly rate at the time of separation. To increase the amount of annual leave awarded could subject DoIT to increased financial liability by increasing the number of employees who accrue up to the maximum of 240 hours of leave balance. The fiscal impact would be contingent on the number of employees who separate from the Department during any given fiscal year.

There would also be a fiscal impact for DoIT to onboard agencies to the Microsoft 365 (M365) environment, for agencies that are not already on that system, which would be essential to support remote work functionality. This would require one additional FTE to support expedited onboarding of those agencies.

Agencies with remote workers would also require the ability to monitor remote workers to ensure that they are logged into their work systems and engaged during work hours. The functionality to support this remote worker monitoring exists within the M365 suite managed by DoIT, but DoIT would require an additional two FTEs to support this remote monitoring and provide analytics to agencies to properly assess its effectiveness.

There would be a potential fiscal impact to other agencies, at an estimated 5% of the state's annual IT budget, to purchase new hardware for remote workers that is compatible with the M365 environment.

SIGNIFICANT ISSUES

Regarding the change in minimum salary rates, DFA and SPO would need to make State-wide changes to the SHARE system. Agencies with impacted employees will face compaction issues. Those that are below the rate or just at the rate will need to make adjustments to those impacted and will need for adjust others just above the minimum to be in compliance with local Appropriate Placement—NMAC 1.7.4.7.C, calculations which are done at Agency Level. This may also impact Internal Alignment—NMAC 1.7.4.7.H.

Remote Work Policy—Would require the Agency to assemble a fair job assessment process to determine the following: individual job functionality, nature of the work performed, operational needs and a strategic analysis to determine and confirm on renewal basis, eligibility. Budget availability to support relocation may be a factor to consider. Also, a clause enabling agencies to compel an employee to attend meetings at another location may be needed.

Rules—Adoption—Coverage— Would require agencies to assemble a fair job assessment process to determine the following: individual job functionality, nature of the work performed, operational needs and a strategic analysis to determine and confirm eligibility on a renewal basis. The rulemaking and required assessment process will be very difficult for agencies to comply with by the effective date of July 1, 2025.

PERFORMANCE IMPLICATIONS

From an Enterprise Services point of view and with the adoption of the Digital workspace initiative that is made up of Microsoft M365 along with other modern technologies, DoIT is well positioned to support users whether they are working remotely or within Government owned facilities. The initiative is designed so that larger agencies can leverage the same products to manage their own resources (people, devices, data) while enabling DoIT to extend support to those agencies who need additional assistance.

DoIT has expanded on the initial investment to add additional features that embrace the Zero Trust security model, ensuring that the secure edge is dynamically extended to the user, irrespective of their location, device, or role. Zero Trust principles dictate that every access request is thoroughly vetted, requiring explicit verification of user identity, device compliance, and contextual factors before granting access to corporate resources. By leveraging advanced capabilities in identity management, conditional access, and Microsoft Intune's mobile device management (MDM) and mobile application management (MAM), M365 G5 enforces continuous risk assessments and adaptive security policies. This approach ensures that trust is never assumed, always verified, and tailored protections are applied based on the user's specific context, thereby creating a resilient and adaptable security perimeter that accompanies the user wherever they go.

The ability to secure users, devices and data regardless of location is a critical step in protecting the state's assets in a modern technology environment. DoIT has been recruiting and building a team to support these initiatives and believe we are well on our way to being able to achieve this desired outcome. There are elements that agencies need to implement for this to be accomplished. Currently about 30 agencies meet the initial requirements with another 18 who are in progress. Completing the onboard to the M365 environment should be a prerequisite for any remote work as it provides the necessary protection of state assets.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 11 – Paid Family and Medical Leave Act

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS