

LFC Requester:

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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.legis.state.nm.us/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: 2/21/2025 *Check all that apply:*
Bill Number: HB522 Original Correction
 Amendment Substitute

Sponsor: Miguel P. Garcia **Agency Name and Code Number:** ECECD 611
Person Writing Analysis: Elizabeth Groginsky
Short Title: Wage Increases for Certain Employees **Phone:** (505)231-2997 **Email:** Elizabeth.groginsky@ecd.nm.gov

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NFI	NFI		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

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

(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	NFI	NFI	NFI			

(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:

This act mandates an annual cost-of-living increase to the state minimum wage rate starting in 2026 in line with changes to the Consumer Price Index. It stipulates that certain tipped employees will receive an hourly rate equal to 25% of the prevailing minimum wage rate, plus tips. Additionally, public contracts must provide for increased contractor and subcontractor reimbursement and worker wage increases in line with state minimum wage hikes. The act also adds a definition of "Consumer Price Index" to the Minimum Wage Act.

Starting January 1, 2026, and annually thereafter, the minimum wage rate will be adjusted to reflect cost-of-living increases. The adjustment is calculated by multiplying the 2025 minimum wage by a fraction, where the numerator is the consumer price index (CPI) ending in September of the previous year, and the denominator is the CPI ending in September 2024. The wage increase will be rounded to the nearest five cents, capped at 104% of the previous year's minimum wage, and will not decrease. The Workforce Solutions Department will publish the new minimum wage on its website or notify employers by November 1 each year.

FISCAL IMPLICATIONS

If HB522 is passed, ECECD anticipates a significant fiscal impact to ECECD's budget for grants and contracted services.

ECECD contracts with service providers to provide home visiting and early intervention, and pays child care assistance and NM PreK based on cost modeling for these services that factor in wages for early childhood educators. If HB522 were to pass, and the minimum wage increase based on the CPI, labor costs associated with contracted services will increase. As a result, ECECD's contractors will face increased overall costs to provide services and would need to request larger budgets to maintain services for families and young children that are delivered through grants and contracts.

Though the exact fiscal impact is difficult to estimate, an increase to the minimum wage as proposed by HB522 will have significant fiscal impact across almost all of ECECD's programs. For example, ECECD's budget ask for FY26 includes an additional \$74 million dollars to increase the baseline pay for employees working in child care programs from \$15 per hour to \$18 per hour. If HB246 were to pass, increased labor costs could be assumed for PreK, early intervention, and home visiting providers, though not as significant

Additionally, since HB522 would tie the state minimum wage to the Consumer Price Index, the minimum wage could increase each year. ECECD would need to increase its budget each year to accommodate annual increases in the state minimum wage.

SIGNIFICANT ISSUES

None

PERFORMANCE IMPLICATIONS

If HB522 is enacted and ECECD does not receive additional revenues to fund the programs it administers, the department may have challenges delivering early childhood programs and services to New Mexico families and young children.

ADMINISTRATIVE IMPLICATIONS**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP****TECHNICAL ISSUES****OTHER SUBSTANTIVE ISSUES****ALTERNATIVES****WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL****AMENDMENTS**