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## FISCAL IMPACT REPORT

**SPONSOR** Campos **ORIGINAL DATE** 02/18/15  
**LAST UPDATED** 03/05/15 **HB** \_\_\_\_\_

**SHORT TITLE** Increase Minimum Wage and Index to Inflation **SB** 350

**ANALYST** Sanogo

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

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$ 765.0	\$ 992.0	\$ 1,757.0	Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

US Department of Labor, Bureau of Labor Statistics (BLS)

US Department of Commerce, Bureau of Economic Analysis (BEA)

National Conference of State Legislatures (NCSL)

#### Responses Received From

State Personnel Office (SPO)

NM Higher Education Department (NMHED)

### SUMMARY

SB 350 would increase the minimum wage for all state employees, employees working under a contract valued at \$50 thousand or more, and employees of a state educational institution (not including students) to \$10.10 per hour. Effective in FY17, the state minimum wage shall increase by an inflation-defined amount, and shall be adjusted annually for inflation.

### FISCAL IMPLICATIONS

The State Personnel Office (SPO) estimates the FY16 cost to bring all covered classified employees to \$10.10 an hour, including benefits, to be \$765 thousand. Currently, there are 455 classified employees making less than \$10.10 per hour. Inflation has increased 7.9 percent since January 2010. If the provisions of SB 350 (Subsection G) were effective today, the minimum wage rate would increase from \$7.50 to \$8.09. For every \$0.25 increase in the minimum wage, the Administrative Office of the Courts (AOC) estimates that the jury and witness fund will require an additional \$96 thousand. The estimated cost in FY17 is \$227 thousand.

### SIGNIFICANT ISSUES

The NM Higher Education Department (NMHED) reports that SB 350 would have no impact on

its operations; according to the agency, current staff wages are already “well above the proposed minimum.”

In states that have indexed increases in their minimum wages to increases in the cost-of-living, consumer prices have not deviated significantly from the national average (see “Attachment A”).

Economists are divided on the economic effects of the minimum wage. In New Mexico’s case, however, the previous minimum wage increases have not produced significant effects on employment or corporate earnings.

**OTHER SUBSTANTIVE ISSUES**

According to the National Conference of State Legislatures (NCSL), New Mexico is among 28 other states with a current minimum wage rate above the federal rate of \$7.25 an hour. In Santa Fe, Albuquerque, and Las Cruces, the minimum wage rates are above the state minimum of \$7.50.

**RELATION TO OTHER BILLS**

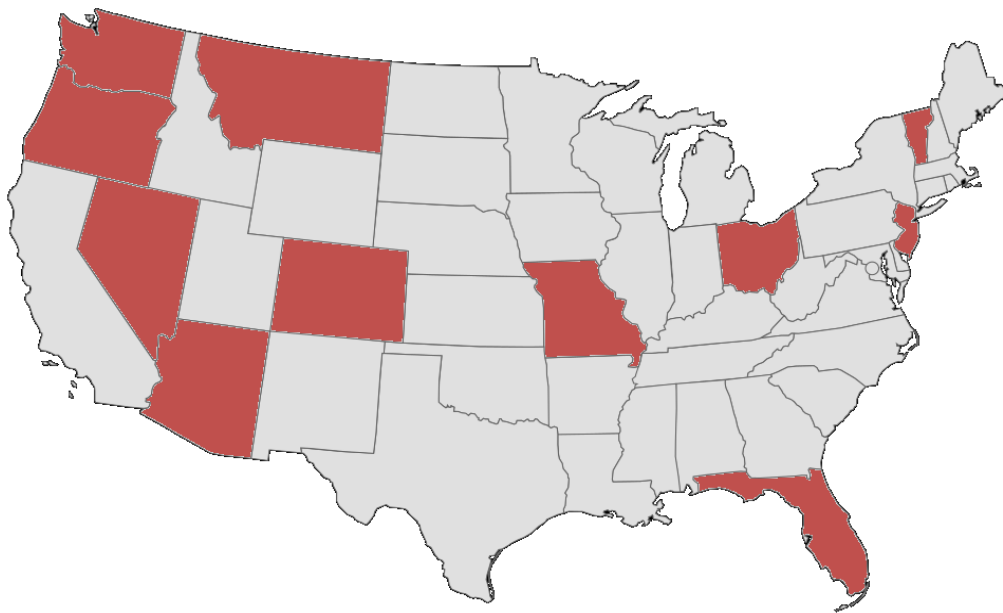
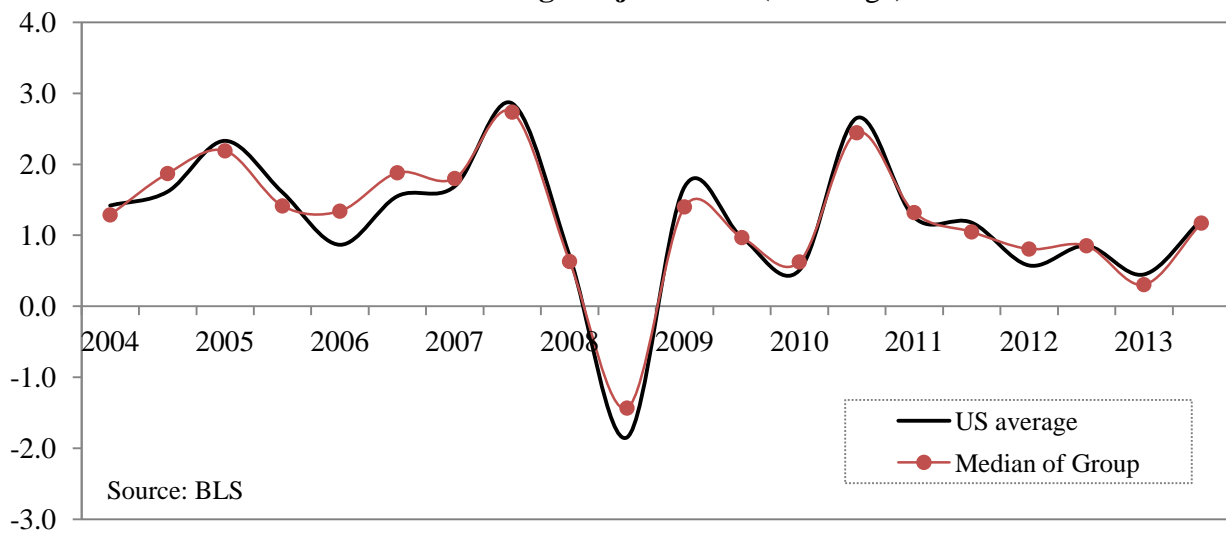
Bill	Proposed Min. Wage	Phase-in Period	Indexed to Inflation	Applies to	Other
<b>HB 20</b>	\$10.10	-	x	All employees	
<b>HB 138</b>	\$10.10	3 years	x	All employees	Tipped min. wage is 40 percent of non-tipped
<b>HB 360</b>	\$15.00	3 years	x	All employees	Tipped min. wage is 100 percent of non-tipped
<b>SB 10</b>	\$8.30	-		All employees	Excludes "trainee" employees
<b>SB 342</b>	\$10.10	-		State employees	
<b>SB 432</b>	\$10.10	2 years	x	All employees	Tipped min. wage is 50 percent of non-tipped
<b>SB 350</b>	\$10.10	-	x	State employees	Includes contractors
	\$7.50	-	x	Other employees	
<b>SJR 9</b>	\$7.50	-	x	All employees	Tipped min. wage is 50 percent of non-tipped

## ATTACHMENT A – Impact on Consumer Prices

Employers can choose to respond to a higher minimum wage by passing through labor costs onto the consumer. This pass-through would be indicated by consumer prices that depart significantly from national prices. This has failed to occur in states that index minimum wages to inflation.

According to NCSL and BLS, there are 11 states (AZ, CO, FL, MO, MT, NJ, NV, OH, OR, VT and WA are highlighted in the map, below) that have linked their minimum wage rates to the national consumer price index (CPI). In their respective metropolitan statistical areas (MSA), Figure 1 displays the trends in regional consumer prices for this collection of states<sup>1</sup>.

**Figure 1: Consumer Prices for Metropolitan Areas with Cost-of-Living Minimum Wage Adjustments (% change)**



<sup>1</sup> Note that consumer prices are published for BLS-defined geographical regions and metropolitan areas, but not for each state; in figure 1, MSAs are used as proxies for consumer prices in the group of states.