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## FISCAL IMPACT REPORT

SPONSOR Munoz ORIGINAL DATE 02/01/18  
 LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Raise Minimum Wage SB 206

ANALYST Klundt/Daly

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	Unquantifiable	Unquantifiable	Recurring	Personal Income Taxes
	Unquantifiable	Unquantifiable	Recurring	Corporate Income Taxes

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

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Indeterminate	Indeterminate	Indeterminate	Recurring	General
		Indeterminate	Indeterminate	Indeterminate	Recurring	General and various agencies

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 Workforce Solutions Department (WSD)

No Response Received From  
 State Personnel Office (SPO)

### SUMMARY

#### Synopsis of Bill

Senate Bill 206 would raise the statewide minimum wage to \$9 per hour while permitting employers to pay training employees a minimum wage of \$8 per hour for up to 60 days from the

date of hire. A “training employee” is defined as an employee being trained to perform the job for which they were hired. SB 206 also increases the statewide minimum wage for tipped employees from \$2.13 per hour to \$2.63 per hour. SB 206 makes no provision for regular cost-of-living increases.

The effective date of the proposed minimum wage changes are October 1, 2018.

## **FISCAL IMPLICATIONS**

WSD reported the fiscal impact to the Labor Relations program would include updating website information, Wage and Hour employer/employee presentations and all NMDWS publications, which have a published minimum wage rate each January 1.

Previous analysis stated unquantifiable but positive impacts to personal income taxes (PIT) might result from raising the minimum wage. Any positive increases may partially be offset by lower employment levels due to fewer minimum wage jobs. However, the effective PIT rate increases as the income level of person increases, particularly in the lower income strata, so the net effect is likely to be a positive PIT revenue impact. For example, one person making \$25 thousand annually will contribute more than double the PIT revenues that two people each making \$12.5 thousand would contribute. In FY16, PIT contributed \$1.3 billion, or 23.2 percent of recurring revenues, to the general fund.

Unquantifiable impacts to corporate income taxes (CIT) may also result from raising the minimum wage. In FY16, CIT contributed \$118.5 million, or 2.1 percent, to the general fund.

SPO has provided analyses in previous years for different scenarios, but had not provided any analysis this year, so the impact to the general fund and various state agency funds is shown on the operating budget impact table above as indeterminate.

## **SIGNIFICANT ISSUES**

The federal minimum wage has remained at \$7.25 an hour since 2009, however many states have adopted higher minimum wage laws. According to the National Conference of State Legislatures (NCSL) in 2017, 19 states began the new year with higher minimum wages. Seven states (AK, FL, MO, MT, NJ, OH, SD) automatically increased their rates based on the cost of living, five states (AZ, AR, CO, ME, WA) increased their rates through ballot initiatives previously approved by voters, and seven states (CA, CT, HI, MA, MI, NY, VT) did so as a result of legislation passed in prior sessions. Washington D.C., Maryland and Oregon are scheduled to raise their respective minimum wages on July 1, 2017 due to previously enacted legislation.

Five states have not adopted a state minimum wage: Alabama, Louisiana, Mississippi, South Carolina and Tennessee. New Hampshire repealed their state minimum wage in 2011 but adopted the federal minimum wage by reference.

The current minimum wage rate in New Mexico is \$7.50, which is higher than the federal minimum wage. State minimum wage rates are controlled by the respective legislatures within the individual states. The Fair Labor Standards Act (FLSA) sets a federal minimum hourly rate (\$7.25 per hour since 2009) for non-exempt employees, but states may enforce higher pay rates. If an employee is subject to both the state and federal minimum wage laws, the employee is

entitled to the higher of the two minimum wages. The LRD's Wage and Hour Bureau enforces the Minimum Wage Act. The Bureau investigates and gathers data on wage issues to enforce compliance with the Act.

In previous analyses on minimum wage bills, WSD has stated the impact of those bills on the Unemployment Insurance program administered could be substantial. The maximum and minimum weekly benefit amounts are computed from total covered payrolls each year and an increase in the minimum wage would increase an employer's total covered payroll. An increase in the minimum wage for all employees will result in an increase to the average weekly covered wage, which can increase the maximum and minimum weekly benefit amounts. Since a contributory employer's total covered payroll is used to calculate its unemployment tax rate, this change has the potential to impact the employer's rate.

### **OTHER SUBSTANTIVE ISSUES**

According to NCSL, eighteen states began the 2018 new year with higher minimum wages. Eight states (Alaska, Florida, Minnesota, Missouri, Montana, New Jersey, Ohio, and South Dakota) automatically increased their rates based on the cost of living, while eleven states (Arizona, California, Colorado, Hawaii, Maine, Michigan, New York, Rhode Island, Vermont and Washington) increased their rates due to previously approved legislation or ballot initiatives.

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