FISCAL IMPACT REPORT

SPONSOR	House Commerce and Economic Development Committee	**LAST UPDATED**	3/12/2025
		ORIGINAL DATE	1/24/2025
SHORT TITLE	Paid Family & Medical Leave Act	**BILL NUMBER**	CS/House Bill 11/HCEDCS/aSTBTC
		ANALYST	Faubion/Garcia

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Contributions				$187,420.0	$195,970.0	Recurring	Family Wellness Leave Fund
Benefits Paid				($74,964.6) to ($199,905.5)	($153,371.0) to ($408,989.3)	Recurring	Family Wellness Leave Fund

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation. See fund solvency analysis in Fiscal Implications for more detail and additional years of analysis.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
WSD Startup Costs		$25,286.8	$24,018.8			$49,405.5	Nonrecurring	General Fund
WSD Ongoing Operating Costs				$30,097.9	$23,338.5	$53,436.4	Recurring	Family Wellness Leave Fund
WSD – Welcome Child Rebate				Up to $150,000.0	Up to $200,000.0	$350,000.0	Recurring	General Fund
State Employer Contributions (employer portion)				$8,775.4	$9,038.6	$17,814.0	Recurring	General Fund
State Employer Contributions (employee portion)				$11,700.5	$12,051.5	$23,752.0	Recurring	General Fund
Total		$25,286.8	$24,018.8	$200,573.8	$244,428.6	$494,308.0	Recurring and Nonrecurring	General Fund and Other State Funds

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files
Various state Paid Family Medical Leave (PFML) annual and legislative reports

Agency Analysis Received From
Workforce Solutions Department (WSD)

SUMMARY

Synopsis of STBTC Amendments for House Bill 11

The Senate Tax, Business and Transportation Committee amendment to House Bill 11 changes the start date for employer contributions from January 1, 2027, to July 1, 2027, aligning it with employee contributions. This revision eliminates the previously proposed six-month gap where only employers contributed. The amendment also adds that if both parents apply for the welcome child refund, the benefit will be split evenly between them. Lastly, the amendment clarifies that self-employed individuals can receive the welcome child benefit.

Synopsis of HCEDC Substitute for House Bill 11

The House Commerce and Economic Development Committee substitute for House Bill 11 (HB11) would enact the Welcome Child and Family Wellness Leave Act, establishing a state-administered paid leave program for eligible employees and self-employed individuals in New Mexico. The bill creates the family wellness leave fund, which would provide six weeks of wage reimbursement for qualifying family wellness leave, and the welcome child fund, which provides a $9,000 refund for new parents on the birth or adoption of a child. The legislation outlines eligibility criteria, benefit calculations, funding mechanisms, employer participation, and administrative oversight.

Benefits. Eligible applicants may receive:

1. Family Wellness Leave (Paid)
   Purpose: Covers medical leave for oneself or a family member.
   Duration: Up to six weeks of paid leave per year.
   Compensation: 100 percent of the state minimum wage plus 67 percent of prior wages above the minimum wage, capped at the state's annual mean wage divided by 52 weeks.

2. Welcome Child Leave (Unpaid)
   Purpose: Allows a parent to bond with a biological or adopted child.
   Duration: Up to 12 weeks of unpaid leave.
   Eligibility: Employees must have worked at least six months in the prior year and must apply for leave within 12 months of birth or adoption.
   Compensation: No wage replacement, except for the Welcome Child Benefit (rebate).

3. Welcome Child Benefit (Rebate)
   Amount: A one-time payment of $9,000 per child.
   Timing: Paid within three months after birth or adoption.
   Eligibility: One eligible parent may apply for the benefit. Employees must have worked at least six months in the prior year. Receiving parent does not need to take leave to receive the benefit.

Employees are entitled to a maximum of 12 weeks of leave in a rolling 12-month period, with a limit of six weeks of paid family wellness leave. Employees can file for multiple leaves for different qualifying events within the 12-month period, but the total leave cannot exceed 12 weeks, and no more than six weeks can be paid under family wellness leave. The remaining six weeks can be taken as unpaid welcome child leave for bonding or other qualifying reasons.

This leave must be taken concurrently with federal FMLA if the employee is eligible, meaning the 12-week total includes both state and federal leave entitlements. Employees cannot stack state leave on top of FMLA to extend the total duration beyond 12 weeks. Additionally, leave under this act cannot be stacked with workers' compensation, which covers work-related injuries or illnesses. If an employee is receiving workers' compensation benefits, they cannot simultaneously receive family wellness leave pay but may still qualify for FMLA job protection.

Employees may take multiple leaves for different qualifying events within the year (e.g., medical recovery followed by bonding), but the combined total cannot exceed 12 weeks, and no more than six weeks can be paid under family wellness leave.

An individual may become ineligible by willfully or knowingly filing a fraudulent claim, receiving unemployment insurance for the period of the claim, not using the leave for the purpose intended, receiving duplicate payments from workers' compensation, or earning wages for the same time period. Individuals who have filed fraudulent claims are ineligible to receive benefits for three years.

Contributions. The bill requires contributions from employees, employers, and voluntary self-employed individuals to the family wellness leave fund, starting at 0.2 percent of wages from employees and self-employed individuals, and 0.15 percent of wages from employers with five or more employees, up to the social security taxable wage cap. Starting in 2030, the premium rate will be adjusted annually based on fund solvency, with 55 percent of the premium paid by employees and 45 percent by employers. The Workforce Solutions Department (WSD) would conduct annual financial analyses to maintain fund solvency, ensuring contributions equal to 140 percent of benefits paid in the prior year, with premium rate adjustments capped at 0.1 percent of wages per year.

Mandatory Contributors

- All public and private employees subject to state jurisdiction, except employees of the United States;
- All employers of public and private employees, regardless of whether they are physically located in the state, except those with fewer than five employees;
- Self-employed individuals subject to state jurisdiction who opt into the program;
- Indian nations, tribes and pueblos that elect to be covered in the program for their employees;
- Employers and their employees unless they are granted a waiver from participation by WSD.
    - Employers with leave plans or programs for the benefit of their employees that provide leave and leave compensation "substantially similar to or greater than the leave and leave compensation offered" under this act may apply for a waiver to exempt the employer and its employees from participating in the welcome child and family wellness programs. The bill sets forth a number of requirements with regard to exclusions and waivers, including, for example, the right of employers

and employees to appeal WSD's grant or denial of a waiver of participating in the program.

Definitions. Leave can be taken for oneself or to care for a family member for the following qualifying events:

- A serious health condition;
- Seeking safe leave from domestic violence, stalking, sexual assault, or abuse; and
- On active military duty or called to impending active duty.

Family member is defined as the employee's spouse or domestic partner and the employee's or employee's spouse or domestic partner's biological, adoptive, foster, or step:

- Child or child under one's care (in loco parentis),
- Parent or legal guardian,
- Grandparent,
- Great-grandparent,
- Grandchild,
- Sibling, and
- Any other individual that is the equivalent of a family relationship.

Leave can be taken for oneself, but not for family members, if:

- Fostering a child (foster leave),
- Following the death of family member under the age of 18.

Administration. The WSD will oversee the program, manage contributions and disbursements, conduct solvency analyses, and administer the claims process. Employers with equivalent or superior private leave programs may apply for a waiver, exempting them and their employees from fund contributions. The bill also establishes a temporary advisory committee to assist with implementation. The bill preempts local paid leave programs, ensuring uniformity across the state.

No later than January 1, 2026, the WSD secretary shall contract the services of a "qualified independent actuarial consultant" to determine an actuarially sound premium rate as well as a "future premium rate-setting mechanism" for the Family Wellness program. Beginning January 1, 2029, the WSD secretary shall ensure and maintain the self-sufficiency and solvency of the Family Wellness Fund, perform annual financial analysis, and set premium rates for the upcoming calendar year. Essentially, the secretary shall set the premium at the rate necessary to obtain total contributions (for the next year) equal to 140 percent of Family Wellness benefits paid and administrative costs incurred during the previous fiscal year, minus the amount of net assets remaining in the fund as of June 30 of the current calendar year. HB11/CS caps premium increases and decreases to the rate at one-tenth percent of wages per employee per year. (Section 3(E)).

Implementation Timeline:

- January 1, 2026: Actuarial consultant hired to assess fund solvency.
- July 1, 2027: Employee, self-employed, and employer contributions begin.
- January 1, 2028: Benefit payments begin.
- October 1, 2029: First fund solvency analysis and premium adjustment calculations due.
- January 1, 2030: Adjusted premium implemented.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns.

FISCAL IMPLICATIONS

Welcome Child Benefit Rebate and Fund

Approximately 21.5 thousand babies are born in New Mexico each year. The family wellness leave fund solvency analysis assumes approximately 17 thousand pregnancy-related family wellness leave claims. This accounts for families that work for a waiver-eligible business or do not meet the work requirements to make a claim. As a conservative estimate, LFC assumes all 21.5 thousand babies have at least one caregiver that meets the work requirement to claim the $9,000 welcome child benefit/rebate. Thus, this benefit will cost the state $193.5 million in benefits alone, not including administrative costs. The benefit is adjusted each year for inflation.

The welcome child fund, which provides the $9,000 welcome child benefit (rebate) to new parents, does not have a dedicated funding source explicitly outlined in the bill. Unlike the family wellness leave fund, which is funded through payroll contributions from employees, employers, and self-employed individuals, the welcome child fund is not supported by similar contributions. Instead, the bill states that the fund will be held in the state treasury and administered by the WSD, with money appropriated to distribute the rebate. However, it does not specify where those appropriations will come from. Without a designated funding source, it is assumed in this analysis to be funded with the general fund through WSD's budget.

Because no direct revenue stream is identified, the funding for the welcome child fund would rely on legislative appropriations. The state Legislature may choose to allocate money to the fund annually during budget cycles, through one-time or recurring appropriations. In some cases, states have supplemented similar programs with federal grants or early childhood funding. Without a clear, dedicated funding mechanism, the sustainability of the welcome child benefit may depend on future legislative decisions and budget availability.

The assumptions built into the family wellness claims for birth and the claims for the welcome child benefit could lead to overestimations of actual program usage and costs. The bill allows birthing parents to take up to six weeks of paid family wellness leave for childbirth recovery, but eligibility is tied to employment history—requiring at least six months of prior work—which could limit access for unemployed, part-time, or newly hired workers. Some new parents may not qualify for paid leave given their employment history. This may be a particularly relevant dynamic given New Mexico's low labor force participation rate. Many working parents may be employed by waiver-eligible businesses, further reducing family wellness claims for a birth event. Additionally, many non-birthing parents may choose not to utilize the family wellness leave if they earn more by continuing to work or have other leave accrued that pays a higher wage, or they may take shorter leave than assumed in the model.

The assumption could also underestimate usage if certain family dynamics lead to multiple claims per birth. In two-parent households, both parents may qualify separately, one taking leave for medical recovery and the other for caregiving. Some individuals, particularly self-employed workers, may strategically opt in before a birth, take leave, then opt out, increasing claim rates beyond projections. The LFC family wellness leave fund model accommodates these variables by providing a high-, middle-, and low-uptake scenario.

Family Wellness Leave Fund Solvency

Payroll premiums are estimated to generate $190 million in the first full year of collections, rising to nearly $215 million by 2031 as incomes rise. This revenue estimate includes adjustments to account for the employer contribution exemption for businesses under five employees, federal employees, self-employed opt-ins, and a small share of waiver-eligible business.

Three scenarios were used to provide a range of potential benefit costs depending on the assumed uptake rate. The low uptake scenario uses a 4.5 percent uptake rate, the middle scenario uses a 6 percent uptake rate, and the high uses an 8 percent uptake rate. This analysis assumes the 0.35 percent contribution throughout the forecast in all scenarios, not building in rate changes for ease of comparison. The analysis also assumes a range of average leave duration, from four weeks in the low uptake scenario to the full six weeks in the high uptake scenario.

In the high uptake scenario, the family wellness leave fund (FWLF) is cashflow negative, triggering a rate increase in 2030. LFC estimates the equilibrium premium rate in the high scenario around 0.8 percent. The middle uptake scenario is also cashflow negative. LFC estimates the equilibrium premium rate in this uptake scenario around 0.5 percent.

The Legislature could push the premium rate increase further into the future by injecting the fund with a one-time infusion of cash to build the fund balance or lengthening the time the fund collects premiums before administering benefits. The Legislature could also choose to supplement the fund revenue on a recurring basis with other revenue sources, which would maintain a lower premium rate as long as the funding was maintained. Additionally, many older paid family medical leave (PFML) programs across the country had lower uptake rates the first few years of the program. This model assumes full saturation from year one, which may push any rate increases further into the future.

The low uptake scenario shows revenues into the fund outpacing benefit payments out of the fund, resulting in fund sustainability and the possibility to lower the premium rate. LFC estimates the equilibrium premium rate in this uptake scenario around 0.3 percent.

Contribution payments into the fund begin July 1, 2027. Leave compensation benefit payments to employees from the fund begin January 1, 2028. The estimated contributions and payouts included in the tables represent a range of scenarios given varying, but plausible, estimates of the number, duration, and average amount of leave compensation claims, as well as varying estimates of the value of contributions. Other assumptions—such as wage levels, employment duration, length of leave, number of claims per qualifying event, and others—could have significant impacts on the estimates of the fund's revenues and disbursements.

Low Uptake Scenario					
	2027	2028	2029	2030	2031
Eligible Workers		853,642	858,160	861,293	864,438
Leave Claims		38,414	38,617	38,758	38,900
Annual Benefits Paid		$ 149,929,118	$ 156,812,856	$ 163,415,427	$ 171,664,536
Administrative Costs*	$ 49,305,500	$ 30,097,872	$ 23,338,497	$ 23,338,497	$ 23,338,497
Total Estimated Cost	**$ 49,305,500**	**$ 180,026,990**	**$ 180,151,353**	**$ 186,753,924**	**$ 195,003,033**
Payroll Premium	$ 91,494,054	$ 190,025,715	$ 198,019,431	$ 205,872,943	$ 214,037,928
Interest Earned		$ 1,829,881	$ 2,066,453	$ 2,465,144	$ 2,896,827
Estimated Revenue to FMLA Fund	**$ 91,494,054**	**$ 191,855,596**	**$ 200,085,884**	**$ 208,338,087**	**$ 216,934,755**
Calendar Year Cash Flow	**$ 91,494,054**	**$ 11,828,606**	**$ 19,934,531**	**$ 21,584,163**	**$ 21,931,722**
Fund Balance Prior Year		$ 91,494,054	$ 103,322,661	$ 123,257,191	$ 144,841,354
FMLA Fund Balance (deficit)	**$ 91,494,054**	**$ 103,322,661**	**$ 123,257,191**	**$ 144,841,354**	**$ 166,773,076**

Middle Uptake Scenario					
	2027	2028	2029	2030	2031
Eligible Workers		853,642	858,160	861,293	864,438
Leave Claims		51,219	51,490	51,678	51,866
Annual Benefits Paid		$ 249,881,863	$ 261,354,760	$ 272,359,044	$ 286,107,559
Administrative Costs*	$ 49,305,500	$ 30,097,872	$ 23,338,497	$ 23,338,497	$ 23,338,497
Total Estimated Cost	**$ 49,305,500**	**$ 279,979,735**	**$ 284,693,257**	**$ 295,697,541**	**$ 309,446,056**
Payroll Premium	$ 91,494,054	$ 190,025,715	$ 198,019,431	$ 205,872,943	$ 214,037,928
Interest Earned		$ 1,829,881	$ 67,398	$ -	$ -
Estimated Revenue to FMLA Fund	**$ 91,494,054**	**$ 191,855,596**	**$ 198,086,829**	**$ 205,872,943**	**$ 214,037,928**
Calendar Year Cash Flow	**$ 91,494,054**	**$ (88,124,139)**	**$ (86,606,428)**	**$ (89,824,598)**	**$ (95,408,129)**
Fund Balance Prior Year		$ 91,494,054	$ 3,369,916	$ (83,236,513)	$ (173,061,111)
FMLA Fund Balance (deficit)	**$ 91,494,054**	**$ 3,369,916**	**$ (83,236,513)**	**$ (173,061,111)**	**$ (268,469,240)**

High Uptake Scenario					
	2027	2028	2029	2030	2031
Eligible Workers		853,642	858,160	861,293	864,438
Leave Claims		68,291	68,653	68,903	69,155
Annual Benefits Paid		$ 399,810,980	$ 418,167,617	$ 435,774,471	$ 457,772,095
Administrative Costs*	$ 49,305,500	$ 30,097,872	$ 23,338,497	$ 23,338,497	$ 23,338,497
Total Estimated Cost	**$ 49,305,500**	**$ 429,908,852**	**$ 441,506,114**	**$ 459,112,968**	**$ 481,110,592**
Payroll Premium	$ 91,494,054	$ 190,025,715	$ 198,019,431	$ 205,872,943	$ 214,037,928
Interest Earned		$ 1,829,881	$ -	$ -	$ -
Estimated Revenue to FMLA Fund	**$ 91,494,054**	**$ 191,855,596**	**$ 198,019,431**	**$ 205,872,943**	**$ 214,037,928**
Calendar Year Cash Flow	**$ 91,494,054**	**$ (238,053,256)**	**$ (243,486,683)**	**$ (253,240,025)**	**$ (267,072,664)**
Fund Balance Prior Year		$ 91,494,054	$ (146,559,202)	$ (390,045,885)	$ (643,285,910)
FMLA Fund Balance (deficit)	**$ 91,494,054**	**$ (146,559,202)**	**$ (390,045,885)**	**$ (643,285,910)**	**$ (910,358,574)**

2027 administrative costs include all startup costs and is not calculated as part of the PFML fund cashflow as it is a separate general fund appropriation. Subsequent years only reflect ongoing operating expenses.

The 0.1 percent cap on premium rate changes will help moderate swings in rate changes. The actuarial study should include analysis of this mechanism and recommend proper fund balance targets and tax rates to maintain tax predictability and consistency and fund solvency.

Risk: Uptake Rates. Uptake rates are extremely difficult to predict. Uptake rates of other state PFML programs vary from around 4 percent in Connecticut to 10 percent in Rhode Island, with the average around 6 percent.[1] Differing health outcomes, wages, existing leave landscape, number of births, program structure, eligibility, and other factors greatly affect uptake rates.

	Washington	Massachusetts	Oregon	Colorado	California	Connecticut	Rhode Island
Own Health (Maternity + Medical)	3.5%	3.1%	2.2%	2.9%	4.2%	3.2%	8.2%
New Child (Bonding)	2.2%	1.2%	1.7%	1.9%	1.4%	0.4%	1.3%
Family Medical (Caretaker)	0.9%	0.6%	0.6%	0.7%	0.2%	0.5%	0.4%
Military	0.002%	0.002%		0.010%		0.0005%	
Safe Leave			0.05%	0.10%		0.004%	
Total	**6.6%**	**4.8%**	**4.6%**	**5.6%**	**5.8%**	**4.0%**	**10.0%**

Note: Percent calculated as number of claims as share of total w orkforce.

There are several reasons to suggest more New Mexicans could utilize a PFML program, and New Mexico could have a higher uptake rate, than existing programs:

- The package proposed in this bill covers a broader set of eligible events and more broadly defines family than most comparator states.
    - New Mexico has the ninth highest rate of families living in multigenerational households (defined as three or more generations) at 5.4 percent. This is the second highest among other PFML states after California. This family structure could elevate family leave usage in New Mexico compared to other states.
- Data from the U.S. Department of Labor shows low-wage workers have a 3 percent higher rate of taking the unpaid leave available under the federal Family and Medical Leave Act (FMLA).
    - New Mexico has one of the highest rates of workers earning under $15 hourly at about 31 percent.
    - Leave utilization increases as duration allowed and benefit amounts increase. This proposal has a more generous leave benefit calculation than many other states.
- New Mexico ranks unfavorably on several potentially impactful, qualifying health indicators that may elevate the number of people qualifying for leave:
    - New Mexico has higher rates of diabetes, chronic liver disease death, chronic lower respiratory death rates, and injury than the national average.
    - New Mexico has the ninth highest premature death rate among states, with about 498 lives lost early per 100 thousand people.
    - New Mexico has had the highest alcohol-related death rate in the United States since 1997.
- This bill includes exigency leave for an individual or for family members on or about to go on active duty that is not included in many other state paid family leave programs. New Mexico is ranked 18th in active and reserve enlistees per capita and has:
    - 14,330 active-duty service members,
    - 4,818 spouses of active-duty members,
    - 8,161 children of active-duty members.

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[1] LFC analysis of public state PFML annual reports, legislative reports, and data sets. Uptake rate calculated by number of claims as a share of total workforce.

- This bill includes safe leave, which is not included in many other comparator states. New Mexico violence data indicate many people may qualify for this leave.[2]
  - New Mexico's law-enforcement reported rate of domestic violence is 1.3 percent of the population, comprising 12,999 separate incidences in 2019.
  - The U.S. annual rate of partner violence is around 6.5 percent.
  - The U.S. annual stalking rate is 4.2 percent for women and 1.9 percent for men. New Mexico ranks in the worst 10 states for stalking for both men and women.

Fifteen percent of eligible employees nationally take unpaid FMLA each year, according to the most recent federal studies.[3] This, along with other state experience, suggests a high-end estimate of PFML uptake of around 10 percent of eligible workers. It is well-documented that more people will apply for and utilize leave when it is paid, and more people are taking leave than ever before. The percentage of U.S. workers taking leave for FMLA reasons increased by 2 percent from 2012 to 2018, even while number of eligible workers declined by 3 percent over the same period.

Other New Mexico Leave Programs' Uptake Rates. In Executive Order 2019-036, the governor created a 12-week paid parental leave program for state employees after employees complete one full year in the position. The Legislature passed a similar policy for legislative staff in 2022. In the executive order, the qualifying reasons for taking leave are following the birth or adoption of a child. The policy is much more narrowly defined than proposed in this bill. Even with this much narrower definition, the uptake rate for the state's parental leave policy in 2023 was about 3 percent. Including paid sick leave under FMLA, utilization at the state increases to almost 13 percent. The University of New Mexico (UNM) reported between 4 and 5.5 percent uptake rate for its paid parental leave and paid extended sick leave program across university entities, not including unpaid leave, intermittent leave, or family leave benefits.

Risk: Insufficient Contributions. If enacted, New Mexico would be the lowest-income state to implement a PFML program. The lower payroll base could result in the payroll contribution being insufficient to cover the needs of the fund. This would result in an increase in the payroll tax over time. Other states have had to increase their payroll premiums to cover increasing utilization of their PFML programs. Washington State's rate has increased from 0.4 percent to 0.92 percent since the start of the program due to high usage. Actuarial studies in Washington predict the rate will reach its statutory cap of 1.2 percent by 2028. Rhode Island, Massachusetts, California, and Rhode Island have all experienced rate increases. However, most of these other state leave programs offer more generous leave than the proposal in this bill, possibly driving usage and costs higher than is expected in New Mexico.

This bill allows self-employed individuals to opt out of the program. However, self-employed individuals only need to pay into the fund for six months to qualify for benefits, opening the door for people, especially those who are expecting a child or have upcoming medical needs, to pay in for six months, claim the benefit, and then opt out of the system. In fact, other states have found extremely high uptake rates for opt-in participants because they can make an informed decision on enrollment. For example, in Washington the uptake rates for elective individuals are eight to 16 times higher than other covered employees, with an average of between 0.5 and one claim

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[2] nmcsap.org/wp-content/uploads/DV_Report_Trends_2015-2019_Betty_Caponera_Oct20web.pdf

[3]www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/WHD_FMLA2018SurveyResults_ExecutiveSummary_Aug2020.pdf

submitted per employee per year. Washington requires elective participants to enroll in the program for a minimum of three years to alleviate solvency issues from "dine and dash."

This bill also allows organizations to waive their participation if they provide a leave program that meets the basic requirements outlined in the state plan. This will overwhelmingly apply to larger, higher paying industries and businesses, jeopardizing the revenues flowing into the fund. The payroll tax on higher wages helps sustain the fund.

The bill caps the income that can be taxed for the program at the social security taxable income level, which is $176.1 thousand in 2025.[4] This renders the FWLF payroll premium regressive because those with income higher than the cap are taxed at a lower rate than those at lower incomes. Additionally, premiums on higher incomes help sustain the fund, and capping the income level that can be leveraged may not be prudent in a low-income state. However, the maximum weekly benefit is capped at the average wage, so it may not be fair to collect on all income, especially once the amount paid into the fund far exceeds the benefit one could possibly claim.

Contributions and Benefits by Income (2025)

	Weekly Wage	Annual Wage	Weekly Contribution (0.35%)			Annual Contribution (0.35%)			Weekly Benefit	6-Week Benefit
Minimum Wage ($12.50)	$500.00	$26,000	$1.75	Employee (0.2%)	$1.00	$91.00	Employee (0.2%)	$52.00	$500.00	$3,000.00
				Employer (0.15%)	$0.75		Employer (0.15%)	$39.00		
Average Wage	$1,176.92	$61,200	$4.12	Employee (0.2%)	$2.35	$214.20	Employee (0.2%)	$122.40	$953.54	$5,721.23
				Employer (0.15%)	$1.77		Employer (0.15%)	$91.80		
High Wage (Max - SSI limit projected)	$3,386.54	$176,100	$11.85	Employee (0.2%)	$6.77	$616.35	Employee (0.2%)	$352.20	$1,176.92	$7,061.54
				Employer (0.15%)	$5.08		Employer (0.15%)	$264.15		

New Mexico Model Specifications and Results. LFC staff used the latest University of New Mexico Bureau of Business and Economic Research forecast of employment levels and total wages and salaries in New Mexico and data from the Social Security Administration to estimate the number of possible eligible employees and payroll contributions into the fund. Adjustments were made to account for exemptions for small businesses, self-employed individuals, federal employees, and the contribution cap at the social security taxable income cap.

To estimate benefits paid out of the fund each year, LFC staff used high-, middle-, and low-end uptake rates and leave durations from other PFML programs and income data to estimate a range of benefit costs at high and low program utilization. Uptake rates are the largest factor in benefit costs and are extremely difficult to estimate (see "Risks: Uptake Rates" above).

Beginning January 2030, this bill allows the secretary of WSD to adjust the rate a maximum of 0.1 percent each year to ensure collections reach 140 percent of the prior year's disbursements. This could significantly increase the required contributions for both employees and employers if increases are required year after year. The bill does not include other solvency triggers, such as

[4] https://www.ssa.gov/oact/cola/cbb.html

allowing WSD to lower the benefit rate, payout amounts, or leave duration if solvency is in question.

Solvency Equation:
Payroll *x* Tax Rate = Prior year benefit payments *x* 140% + admin costs – fund balance

Example:
Payroll *x* Tax Rate = Prior year benefit payments *x* 140% + admin costs – fund balance

$60 billion *x* (*tax rate*) = $430 million *x* 140% + $23 million - $100 million
$60 billion *x* (*tax rate*) = $245 million
Tax rate ~ 0.4%

Appropriations

There are no appropriations included in this bill for start-up costs or for either the welcome child fund or the family wellness leave fund. If the Legislature adopts this bill, funding will need to be included in the General Appropriation Act of 2025 or other legislation.

The General Appropriation Act, as recommended by the LFC, includes a $35 million special appropriation from the general fund to the paid family and medical leave fund, for expenditure in fiscal year 2026 contingent on passage of a paid family medical leave bill. The appropriation would provide WSD with funding for start-up costs associated with implementing the program. The language may need to be adjusted to reflect new naming conventions outlined in this bill. However, the appropriation would not cover all projected start-up costs, and WSD would likely request additional start-up and recurring operating costs in future years.

Direct Costs to State Agencies

Total cost to the state to pay the 0.15 percent employer contribution is just over $11 million per year as estimated using FY26 figures and 3 percent growth each year. The state may choose to give employees a raise to cover the employee contribution above other planned compensation increases. If state agencies absorb the 0.2 percent employee contribution in the form of higher salaries, the total cost is between $20 and $22 million per year. A high-level breakdown can be found in the table below.

	FY26 - LFC Salary Rec*	0.2% employee contribution	0.15% employer contribution	**Total FWLF Contribution**
Legislative	$18,346,200	$36,692	$27,519	**$64,212**
Judicial	$265,602,200	$531,204	$398,403	**$929,608**
Executive	$1,398,831,800	$2,797,664	$2,098,248	**$4,895,911**
Public Education	$2,689,170,600	$5,378,341	$4,033,756	**$9,412,097**
Higher Education	$1,142,455,400	$2,284,911	$1,713,683	**$3,998,594**
FY26 Total	**$5,514,406,200**	**$11,028,812**	**$8,271,609**	**$19,300,422**
FY27 Total	**$5,679,838,386**	**$11,359,677**	**$8,519,758**	**$19,879,434**
FY28 Total	**$5,850,233,538**	**$11,700,467**	**$8,775,350**	**$20,475,817**
FY29 Total	**$6,025,740,544**	**$12,051,481**	**$9,038,611**	**$21,090,092**

FY30 Total	**$6,206,512,760**	**$12,413,026**	**$9,309,769**	**$21,722,795**

Salaries are grown by 3% each year.
Contributions begin in July 2027.

*LFC Volume III, FY26

This analysis uses payroll figures as reported in Volume 3 of the 2025 LFC report to the Legislature, *Legislating for Results: Supplemental Tables and Graphs*, for consistency. Agency analysis may vary.

In addition to costs to pay for contributions for state employees, the state may need to increase contract costs for services the state pays outside contractors. Some agencies rely extensively on contracts to perform their duties. This could directly impact state costs for early childhood and disability waiver providers, Medicaid providers, IT projects, and transportation and other infrastructure projects, among others. While difficult to calculate, this increased cost could be as high as $25 million across state agencies, not including increased costs to nonrecurring or one-time projects.

Workforce Solutions Department

WSD used a variety of methods to compute staffing, including receiving data from states with existing programs, evaluating the bill for program requirements, and modeling staffing based on the unemployment insurance staffing structure. Direct comparison to other states is difficult because there is no other state in which the contributions, benefit administration, appeals and enforcement are all in one agency.

WSD reduced the operational cost estimate for year 2, based on the committee substitute change in dates of premium collections. The remaining changes to the bill are not anticipated to result in cost savings because the number of claims is unlikely to change. The IT system will still need to include “accounts” to track contributions of all employees and all employers in the state, plus the flat rate welcome child rebate.

Part of the basis of WSD’s staffing analysis is the estimated number of annual claims. Estimates of the number of annual claims vary quite widely. Applying Washington State’s claim numbers proportionally to New Mexico’s population yields an estimate of 52.8 thousand annual claims. Direct comparisons are challenging because each state has its own definitions of covered conditions, and each state has unique population characteristics. WSD believes estimating based on UI staffing levels with certain adjustments is the best method of approximation.

- Using the UI staffing base as a comparator, WSD projects an increase for the act's processing staff to reflect the statutory timelines for processing claims and hearings that we do not have in UI.
- In comparison to certain other states with lower relative staffing levels, WSD allows filing by phone and in person for UI and would anticipate the same for this program. New Mexicans require phone and in-person service because of broadband access, computer literacy, and lack of familiarity with government services. WA, RI and CA do not do in person claims, while NJ started in 2022. DC does not allow filing by phone or in person.
- Comparison to other states’ staffing levels is also challenging because states with lower relative staffing levels have different roles and less administrative burden. For example, CA appeals from their paid family & medical leave plans go to a different agency. Job protection is not available (so doesn’t need to be enforced) in CA, in the initial NJ law, or

for an employee's own health issues in RI and DC. RI and DC do not have waiver programs.

The mandated timelines for resolution of claims and hearings on appeals drives some of the costs. Making government agencies subject to the act means WSD (like all agencies) will need to staff in anticipation of coverage issues. Many states do not mandate that public agencies are covered.

The act would create a program about equal in size to the unemployment insurance program, effectively increasing the size of WSD by about one-third. This will necessitate new facilities under current personnel policies of the State. Nothing in the bill appears to prohibit WSD from outsourcing components of the program. For example, Colorado outsources the call center for its PFML program. The bill states specific timeline requirements that will directly impact the requirements on operational staffing and system automation. Appropriate funding is required to ensure effective implementation to meet these performance standards. The volume of claims will also impact performance levels and operational support requirements. We note that in Washington State, which has a similarly structured program, the current processing time for applications and requests for review is 3-4 weeks.

SIGNIFICANT ISSUES

Waiver Eligibility

Waiver eligibility outlined in the bill is ambiguous and leaves open the interpretation of whether a private program is "substantially similar to or greater than" the leave and leave compensation offered pursuant to this bill. There are concerns that unless the benefit amount, leave length, and leave eligibility are each at least as generous as outlined in this bill, employees may be able to contest their employer's waiver and could put the state at risk for lawsuits. For example, the state employee leave program includes 12 weeks of paid parental leave at full pay but does not offer paid family wellness leave. The parental leave program is more generous than the leave offered in this bill, but the family medical leave is less generous.

Workforce

This bill could improve labor force participation in New Mexico. Research published in the *American Economic Review* suggests short-duration paid leave in the months directly proceeding and following a birth increases the labor force attachment of women who otherwise would have exited the labor force temporarily in the months around a birth. Analysis of the impact of paid leave laws in California and New Jersey concluded short leave is unlikely to alter the behavior of women who were planning to exit the labor force for prolonged periods after a birth; however, reducing a brief interruption following a birth may have long-term employment benefits for affected women who intended to remain in the labor force.

Business Environment

This bill acts as a 0.2 percent payroll premium increase on employees and a 0.15 percent premium increase on employers. The *Tax Foundation 2025 State Business Tax Climate Rankings* currently rank New Mexico at 31st overall, with corporate taxes ranking 22nd and unemployment insurance (UI) taxes (one of the primary payroll taxes) ranked 16th. Revenue into the state's unemployment insurance trust fund was roughly $200 million in 2024, and the UI taxable wage base in 2024 was $31.7 thousand, considerably lower than the wage base proposed in the bill. Increasing payroll burden on businesses will likely make New Mexico less competitive compared with other and neighboring states in business-friendliness rankings. However, other rankings such as Oxfam's "Best States to Work Index," and WalletHub's "Best States to Raise a Family" reward states with paid leave programs. New Mexico ranks last in WalletHub's 2025 highly cited ranking, which also considers education, healthcare, employment, and quality of life measures.

Participating Workplaces

The reporting and administrative requirements outlined in this bill may present more administrative duties and costs for business owners, state agencies, and other eligible places of work, especially smaller businesses and those without a full human resources department or staff. For example, the business owner must work with the WSD to report employees applying for leave benefits and help certify their leave. Additionally, businesses must hold a position for employees that take leave and who have worked for that business for at least six months. This requirement could be difficult for a business with a small workforce where a single worker may constitute a large share of the business output. They may be forced to stretch their remaining employees' duties to cover the absent coworker, or the business may hire someone new to cover their duties and be forced to release the new worker on return of the worker on leave.

The state leave program may also help local businesses keep employees during and after leave who may otherwise leave the workforce, stabilizing their workforce, reducing onboarding and training costs, and possibly reducing the cost to provide paid leave. Employers may want to provide leave to their employees in case of emergency or after the birth of a child but cannot afford the cost of an independent program, given a small workforce and slim profit margins. This program may extend that benefit and provide an affordable program for employers.

Other Significant Issues

- In Executive Order 2019-036, the governor created a 12-week paid parental leave program for state employees after employees complete one full year in the position. The Legislature passed a similar policy for legislative staff in 2022.
- In 2019, the state enacted Section 10-16H-1 NMSA 1978, which expanded state employee and public-school employee use of accrued sick leave for extended family members.
- In 2021, in Section 50-17-1 NMSA 1978 the state enacted the Healthy Workplaces Act requiring all public and private employers to allow employees to accrue earned sick leave of 64 hours per year.
- As of January 2025, 13 states and the District of Columbia offer paid family and medical leave. All state programs are funded through employee-paid payroll taxes, and some are also partially funded by employer-paid payroll taxes.
- Federal social security disability benefits apply to those with a terminal diagnosis or if the disability diagnosis is determined to last at least 12 months.
- The bill does not include guardrails around WSD's authority to adjust the benefit in the event of surpluses in the fund as opposed to adjusting the rate.

JF/RMG/rl/hg/sgs/SL2