FISCAL IMPACT REPORT

BILL NUMBER: House Bill 47/aHEC

SHORT TITLE: School Employee Insurance Programs

SPONSOR: Reps. Lara, Mirabal Moya, Baca/Sens. Figueroa, Stewart

LAST UPDATE: 1/28/26 **ORIGINAL DATE:** 1/25/26 **ANALYST:** Liu/Simon

APPROPRIATION*
(dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	$73,153.9	Recurring	General Fund

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
School Transportation Distribution		$1,343.6	$1,343.6	$2,687.2	Recurring	General Fund
RECs		$275.0	$275.0	$550.0	Recurring	General Fund
PED		$125.0	$125.0	$250.0	Recurring	General Fund
Total		**$1,743.6**	**$1,743.6**	**$3,487.2**	Recurring	**General Fund**

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

Duplicates appropriation in the General Appropriation Act
Conflicts with Senate Bill 125

Sources of Information

LFC Files
Legislative Education Study Committee Files
Kaiser Family Foundation

Agency or Agencies Providing Analysis
Public Education Department
Regional Education Cooperatives
Higher Education Department
Public School Insurance Authority

Agency or Agencies That Were Asked for Analysis but did not Respond
Albuquerque Public Schools

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive some analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 47 inserts language referring to the LESC endorsement of the bill.

Synopsis of House Bill 47

House Bill 47 (HB47) appropriates $73.2 million from the general fund to the state equalization guarantee (SEG) distribution for the purpose of increasing the employer group insurance contribution for school districts and charter schools participating in the New Mexico Public School Insurance Authority (NMPSIA) program to 80 percent for all school employees' insurance plans. The bill also includes a temporary provision requiring the Legislative Education Study Committee (LESC), in collaboration with LFC, NMPSIA, Albuquerque Public Schools (APS), the Public Education Department (PED), and the Health Care Authority (HCA), to study the sustainability of insurance programs for public school employees. This bill is endorsed by LESC.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The appropriation of $73.2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall revert to the general fund. The bill duplicates LFC and LESC budget recommendations that already include a $73.2 million appropriation to the SEG distribution and $1.3 million appropriation to the school transportation distribution for the costs of transitioning to 80 percent coverage for all public school employees.

The bill would increase personnel costs for school districts and charter schools by requiring them to cover a larger share of health insurance costs for public school employees. However, the additional costs to school districts and charter schools would be offset by reduced costs to employees that choose to participate in school insurance programs, leading to increased take-home pay for employees.

According to NMPSIA, the estimated cost difference between meeting minimum statutory employer contributions and providing 80 percent coverage for all school employees is $63 million. Including a distribution in the SEG for APS, which does not participate in NMPSIA's program but constitutes about 22 percent of the student population, would bring the estimated cost difference to $80.3 million. PED estimates the costs of implementation to range between $62.6 million to $87.7 million.

The fiscal impact of shifting to a minimum of 80 percent of health insurance premiums is estimated at $74.5 million in FY27, based on current plan enrollment and current health insurance rates, and the current level of subsidies provided by school districts and charter schools, with a 10 percent projected rate increase for FY27. According to NMPSIA and APS, 67 school districts and 92 charter schools currently are covering insurance premiums for school employees in line with current statutory minimums.

The remaining districts and charters provide a higher employer contribution rate than required by law, including 13 districts and six charter schools that provide at least 80 percent coverage for all employees as contemplated by this bill. These 19 local educational agencies (LEA) would, therefore, receive a windfall from any appropriation added to the SEG—the pool of money distributed to schools through a formula—to support the bill's implementation statewide. Because 30 LEAs currently provide more than the minimum statutory employer contribution rate, the total statewide fiscal impact is lower than $80.3 million. Fiscal impacts by LEA will depend on the share of SEG generated and enrollment in NMPSIA's plans.

	Employer Contribution Rates		
	Current Statutory Minimum • 80% for <$50,000 • 70% for $50,000 to $59,999 • 60% for >$60,000	**Above Statutory Minimum**	**80% or More for All Employees**
School Districts	67	9	13
Charter Schools	92	2	6
Higher Education	3	2	5
Other	8	2	8
TOTAL	**170**	**15**	**32**

Source: NMPSIA, APS

School districts and charter schools could see additional costs due to changes in employee behavior. For example, some employees could choose to opt into plans that offer a higher benefit. These plans feature lower out-of-pocket costs to the member but charge higher premiums because plan costs are higher. Similarly, some employees currently not participating in school insurance programs could choose to pick up the plan at the next open enrollment period, leading to increased costs for school districts and charter schools.

For FY26, NMPSIA provides single coverage health, dental, and vision plans with a total cost that varies between $1,155.22 per month and $646.70 per month and family coverage plans that vary between $2,947.20 per month and $1,809.68 per month. Under the current system, public school employees earning more than $60 thousand would need to pay $2,440 more per year for high option single coverage or $5,460 per year for high option family coverage. Under the bill, those costs would be cut in half, which could induce some members currently in low option plans to select high option coverage. However, with a greater share of the costs shifted to the employer, NMPSIA may wish to explore plan design changes to simplify their plan offerings. One reason NMPSIA has many plan options is historically even low-paid school employees have paid a large share of health insurance premiums and found high option coverage unaffordable. Until FY24, most employees earning more than $25 thousand paid 60 percent of the total premium.

Additionally, the bill would likely impact program support costs for NMPSIA due to the consolidation of APS into the authority's plan. Because of the size of the school district, APS may need to add between 3 FTE and 5 FTE to its current staff of 12, with an estimated cost of

$500 thousand to $1 million. NMPSIA's support costs are paid from premiums for health, property, liability, and workers' compensation insurance.

While the bill excludes other participants in NMPSIA's plans from meeting the new 80 percent contribution requirement, The Higher Education Department (HED) notes changes to the contribution structure for public schools could affect benefit parity with higher education institutions. Regional Education Cooperatives (REC) are also exempted from the 80 percent requirement but are likely to raise contribution rates to remain competitive, which could result in $275 thousand of additional operating costs collectively for cooperatives providing a lower contribution rate.

SIGNIFICANT ISSUES

New Mexico, like most other states, operates several self-insured health plans, providing participating public employees with medical, dental, vision, and prescription drug coverage. Self-funded plans, typically favored by large employers that have the scale to spread risk with a larger insured population, cover the cost of medical care, contracting with external entities for access to their coverage networks and for third-party administrative services, such as claims processing. New Mexico's public employee plans place health premiums into a fund, which are then used to pay medical claims.

Current state law requires public schools to pay at least 80 percent of the premium for employees earning less than $50 thousand per year, 70 percent for employees earning between $50 thousand and $60 thousand, and 40 percent for employees earning more than $60 thousand. At higher salary levels, this subsidy is well below what employers nationally typically pay for coverage. According to the Kaiser Family Foundation, a nonprofit health policy research organization, in 2025, employers typically contributed 85 percent of premiums for single coverage, or on average $7,884 annually, and 75 percent of the premium for family coverage, or on average $20,143 annually.

NMPSIA currently has multiple plan options each with a different cost, although most employees are currently enrolled in more expensive "high option" plans, such as the agency's preferred provider organization (PPO) plan offered by Blue Cross and Blue Shield of New Mexico. For this plan, the 60 percent subsidy for single coverage costs $8,305 and family coverage costs $20.5 thousand slightly above the national average. However, the employee share of $5,356 and $13.6 thousand, respectively, is well above the nation average of $1,440 for single coverage and $6,850 for family coverage, posing affordability challenges for New Mexico educators.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill require LESC, in collaboration with LFC, NMPSIA, APS, PED, and HCA, to study the sustainability and future needs of insurance programs for public school employees. The study must assess the impacts of consolidating public school employee insurance programs with other existing public group health insurance programs and identify the agency and legislative actions needed to integrate the plans of NMPSIA, HCA, and APS by June 30, 2029. The final study must be completed by October 1, 2026, and must be provided to the governor, LFC, and PED.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill duplicates LFC and LESC budget recommendations that already include a $73.2 million appropriation to the SEG distribution and $1.3 million appropriation to the school transportation distribution for the costs of transitioning to 80 percent coverage for all public school employees.

The bill conflicts with Senate Bill 125, which also raises the group insurance contribution rate for school districts and charter schools to 80 percent. Senate Bill 125 further requires APS to participate in NMPSIA's program by FY28, and requires state agencies, including NMPSIA, to establish a reference-based pricing program for hospital services.

OTHER SUBSTANTIVE ISSUES

Historically, APS has been exempt from the requirement that all school districts and charter schools participate in NMPSIA or receive a waiver from the authority allowing the school district to purchase alternative coverage. The reasons for this go back to the creation of the authority in the mid-1980s. At that time, small rural school districts in New Mexico were finding it difficult to purchase insurance coverage. The small size of these schools, and the smaller income they would generate, made them unattractive to some insurers. Additionally, smaller school districts also had limited capacity to administer plans. NMPSIA allowed school districts to combine their collective purchasing power and spread risk among schools statewide.

However, because of its size, APS did not face the same challenges as smaller school districts, and the Legislature included an exemption for any school district with an enrollment of more than 60 thousand students. Currently, APS has about 61 thousand students, slightly over the statutory cap. However, with the overall downward trend in school enrollment, APS may soon fall under this floor. Because provisions of this bill only apply to NMPSIA, APS is not required to contribute 80 percent for insurance; however, the district has historically aligned its coverage with NMPSIA minimum contribution rates.

Currently, NMPSIA provides health benefits plans to a number of higher education institutions as well as nonprofit organizations "dedicated to the improvement of public education and whose membership is composed exclusively of public school employees, public schools or school districts." While the bill would require school districts and charter schools to cover at least 80 percent of health benefits, these entities are left with flexibility to determine their own contributions. Unlike school districts and charter schools, higher education institutions currently have a wide array of choices for insurance coverage.

Some of these entities participate in state health benefits plans sponsored by HCA, such as New Mexico State University, and some currently participate in plans offered by NMPSIA, such as New Mexico Tech. Other institutions, such as the University of New Mexico, provide their own health plans to employees, independent of the state agencies offering health benefits for public employees. State law sets minimum contributions for higher education institutions in Section 10-7-4 NMSA 1978 that differ from the minimum contributions specified in the Public School Insurance Authority Act. HED notes higher education employers operate in the same statewide labor market, and enhanced contribution levels for school employees may influence expectations for benefit competitiveness at public colleges and universities.

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