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FISCAL IMPACT REPORT

SPONSOR Romero DATE TYPED 2/5/04 HB _____

SHORT TITLE State Employee Group Insurance Contributions SB 373

ANALYST Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Significant	Recurring	All Funds

(Parenthesis () Indicate Expenditure Decreases)

Duplicates: HB 451

Relates to: HB 283, SB 305, SB 334

SOURCES OF INFORMATION

General Services Department (GSD)

Public Schools Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

This bill changes the salary brackets and state contribution percentages towards group insurance for state executive, legislative & judicial departments in FY 05 and FY 06. There is no appropriation contained in the bill. The brackets for public and higher education remain unchanged.

Current:	State Pays	Employee Pays
Annual Salary less than \$15,000	75%	25%
\$15,000 but less than \$20,000	70%	30%
\$20,000 but less than \$25,000	65%	35%
\$25,000 and over	60%	40%

Proposed in FY05:	State Pays	Employee Pays
Annual Salary less than \$30,000	80%	20%
\$30,000 but less than \$40,000	70%	30%
\$40,000 and over	60%	40%

Proposed in FY06:	State Pays	Employee Pays
Annual Salary less than \$50,000	80%	20%
\$50,000 but less than \$60,000	70%	30%
\$60,000 or more	60%	40%

Significant Issues

This bill make changes in the state group insurance contribution rates to bring them into accord with the American Federation of State, County and Municipal Employees (AFSCME) collective bargaining agreement that was recently negotiated with the state. This would be the first change in the contribution brackets in several years. Salary increases over the years means that the majority of state employees receive only a 60% share from the state for the cost of insurance.

FISCAL IMPLICATIONS

Costs increase under SB 373 compared to the current brackets as the employer contribution will increase for all employees that make under \$40 thousand in FY 05 and \$60 thousand in FY 06. Right now the majority of employees make over \$25 thousand and are limited to a 60% contribution from the employer. A number of cabinet agencies are concerned that the increased cost to agencies of changing the employer share has not been budgeted.

The average yearly savings to an employee making \$21 thousand who purchases Blue Cross Blue Shield family coverage would be \$1,400 under the new benefit brackets in FY 05. GSD provided the following data:

FY 05 FISCAL IMPACT OF SB 373 (000's)			
	General Fund	Other Funds	Total
State Employees	6,943.1	5,237.7	12,180.8

ADDITIONAL FY 06 FISCAL IMPACT OF SB 373 (000's)			
	General Fund	Other Funds	Total
State Employees	11,086.1	8,363.1	19,449.2

The above numbers include a 25% cost factor for additional employees that may join the program due to the increased employer share of the premium. Alternatively, as the above numbers do not factor in medical inflation, the 25% factor could address medical cost inflation.

ADMINISTRATIVE IMPLICATIONS

Section 2 of the bill provides that any salary adjustment in January 2005 shall not reduce the state contribution even if the salary adjustment of an employee places the employee in a higher salary bracket; provided that the state contribution may be lowered for salary adjustment on or after January 2006.

DUPLICATION AND CONFLICT

Duplicates HB 451. Conflicts with SB 305 and HB 283, which set different contribution rates.

SB 334 provides for implementation of the health care brackets as proposed by the AFSCME agreement for state employees, public school employees, and higher education employees.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Public employees would continue to see their take home pay reduced by increasing insurance premiums.

AMENDMENTS

The effective date of the first set of bracket adjustments (FY 05) is July 1, 2004 and the second set of adjustments (FY 06) is effective July 1, 2005. PSIA suggests including educational employees (institutions of higher education, the public schools, and charter schools) in Section C on page two. PSIA would request an effective date for the first set of bracket changes between July 1, 2004 and January 1, 2005, in conjunction with the effective date of each district's, charter school's, or higher education group insurance premium changes. For the second set of bracket adjustments, PSIA requests an effective date between July 1, 2005 and January 1, 2006.

GGG/yr