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FISCAL IMPACT REPORT

ORIGINAL DATE 02/12/06

SPONSOR Komadina LAST UPDATED _____ HB _____

SHORT TITLE Public School Employee Uniform Contributions SB 92

ANALYST Geisler

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$10,184.1* (employer)	\$13,513.3 (employer)	\$23,697.4 (employer)	Recurring	General Fund (APS)
Total		\$28,276.0* (employer)	\$14,891.0 (employer)	\$43,167.0 (employer)	Recurring	General Fund (NMPSIA)

(Parenthesis () Indicate Expenditure Decreases)

*Pro-rated to assume partial year implementation, see fiscal impact.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Albuquerque Public Schools (APS)

New Mexico Public Insurance Authority (NMPSIA)

SUMMARY

Synopsis of Bill

Senate Bill 92 changes the state contribution percentage towards group insurance for member school districts, charter schools, and other educational entities participating in the Public School Insurance Authority to 80%. It also changes the contribution to 80% for school districts in excess of 60,000 students who do not participate in NMPSIA (currently Albuquerque Public Schools).

There is no appropriation contained in the bill.

FISCAL IMPLICATIONS

As shown above, the combined fiscal impact for the increased employer share of benefits on APS & NMPSIA for FY 07 is a recurring cost of \$38.4 million. This is a partial year impact which assumes the bill will be amended to implement on October 1st for NMPSIA and December 1st for APS.

For FY08, the additional increment to annualize the full fiscal year cost of the higher brackets is \$28.4 million.

The APS and NMPSIA estimates reflect additional enrollment projected from employees that take advantage of less costly employee share for benefits—3 percent growth in the case of NMPSIA and 10 percent growth in the case of APS.

Because of the higher employer share of the benefits cost, employee take home pay would increase. PSIA provided the chart below to illustrate the differences in employee’s payroll deductions for medical insurance under the current versus proposed brackets. As shown below, an employee earning \$22,000 a year would save \$142 per month on BCBS family coverage, or \$1,704 per year.

(Assumes High Option Blue Cross Plan)	Employee’s Monthly Deduction for Medical – Current Brackets	Employee’s Monthly Deduction for Medical – Proposed 80%
Employee earning \$10,000	\$93 single; \$236 family	\$74 single; \$189 family
Employee earning \$18,000	\$112 single; \$283 family	\$74 single; \$189 family
Employee earning \$22,000	\$130 single; \$331 family	\$74 single; \$189 family
Employee earning \$40,000	\$149 single; \$378 family	\$74 single; \$189 family

APS provided the following chart to illustrate the difference in employee’s payroll deductions for medical insurance under the current versus proposed brackets. As shown below, an employee earning \$22,000 per year would save \$141 per month on Presbyterian family coverage, or \$1,692 per year.

(Assumes APS High Option Presbyterian Plan)	Employee’s Monthly Deduction for Medical – Current Brackets	Employee’s Monthly Deduction for Medical – Proposed 80%
Employee earning \$10,000	\$ 87.03 single; \$235.02 family	\$69.62 single; \$188.02 family
Employee earning \$18,000	\$104.43 single; \$282.03 family	\$69.62 single; \$188.02 family
Employee earning \$22,000	\$121.84 single; \$329.03 family	\$69.62 single; \$188.02 family
Employee earning \$40,000	\$139.25 single; \$376.04 family	\$69.62 single; \$188.02 family

SIGNIFICANT ISSUES

There is no appropriation contained in the bill. In the 2004 session, APS and PSIA members were given authority to increase their contributions up to 80%, “within available revenues”. No appropriation was given in 2004. To date, only three PSIA participating made slight increases in their group insurance contribution.

ADMINISTRATIVE IMPLICATIONS

Growth in covered lives will likely occur. PSIA and APS would need to consider a special enrollment for those who previously declined coverage.

The effective date of the legislation is July 1, 2006. School districts cut their summer payroll checks in May. It would be a huge administrative burden for each school district/entity to change the deductions for the summer checks, and then change deductions again when the October 1 premium changes take effect for PSIA and the December 1 premium changes for APS. See suggested amendment below.

It would be much simpler for the district payroll personnel not to have to refigure the employer match whenever there an employee has a salary change.

RELATIONSHIP

House Bill 867 also amends the employer share of employee benefit costs, but also proposes having NMPSIA handle employee benefits for APS.

AMENDMENTS

Insert October 1, 2006 as an effective date for NMPSIA and December 1, 2006 as an effective date for APS.

For clarification, page four, line 11 – suggest changing language to “coverages, including any dependent coverage elected”.

Page five, paragraph “I”. Suggest deleting this paragraph as this “permits” up to 80%, which conflicts with the proposed mandatory 80% contribution.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Continued erosion of educational employees’ take home pay due to insurance premium increases.

GG/nt