

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: SB 267

48th Legislature, 2nd Session, 2008

Short Title: School Employee Insurance Contributions

Sponsor(s): Senator Steve Komadina

Analyst: Frances R. Maestas

Date: January 25, 2008

Bill Summary:

SB 267 amends current law, effective July 1, 2008, to standardize at 80 percent, the employer's group insurance contribution rate for member school districts, charter schools, and other education entities participating in the New Mexico Public School Insurance Authority (NMPSIA), as well as non-member school districts with 60,000 or more student membership. Currently, only Albuquerque Public Schools (APS) meets this requirement.

SB 267 does not change the contribution requirements for higher education entities.

Fiscal Impact:

SB 267 does not contain an appropriation.

According to NMPSIA, based on a full year, approximately \$38.3 million would be required to provide an 80 percent employer's contribution rate for NMPSIA members. However, if SB 267 were amended to provide an October 1 effective date to coincide with the date when NMPSIA's insurance premiums go into effect, the first year impact would be based on nine months at a cost of \$28.7 million. For subsequent years, NMPSIA assumes a 10 percent average increase.

For APS, the cost for a full year would be approximately \$12.9 million. However, if SB 267 were amended to provide a December 1 effective date to reflect when the district's insurance premiums are implemented, the first year impact would be based on seven months at a cost of approximately \$8.4 million for FY 09.

The total fiscal impact (if SB 267 is enacted) would be \$37.1 million.

HB 3a, *Education Appropriation Act*, includes over \$19.3 million (\$17.3 million for NMPSIA and \$2.0 million for APS) to provide for the employer's share of increased insurance premiums.

Issues:

- In 2004, the Legislature amended the *Public School Insurance Authority Act* to allow participating entities, if revenue is available, to contribute up to 80 percent of the cost of insurance for all employees. In a report to the LESC in the 2007 interim, NMPSIA reported that Los Lunas Public Schools and a couple of charter schools are utilizing this provision in FY 08. In a report to the LESC, APS reported that beginning with school year 2007-2008, the district will be providing 80 percent of the cost of insurance for employees earning less than \$25,000 a year.

- SB 267 includes an effective date of July 1, 2008. The sponsor may wish to consider amending the bill to include an October 1, 2008 effective date for NMPSIA and December 1, 2008 effective date for APS to coincide with their insurance plan cycles.

Background:

- In 1986, the Legislature enacted the *Public School Insurance Authority Act*. Among its provisions, the act created the NMPSIA to serve as a purchasing agency for public school districts, postsecondary educational entities, and charter schools.
- All school districts (with the exception of APS) and all charter schools are required to participate in NMPSIA unless the NMPSIA Board of Directors grants a waiver based on the school district's or charter school's ability to meet the minimum benefits and financial standards set by the NMPSIA Board. However, the law exempts any school district with a student enrollment in excess of 60,000 students, which applies only to APS.
- NMPSIA is currently a self-insured pool of over 60,200 members. APS is also a self-insured pool of nearly 17,000 members.
- According to the act, the state pays for a portion of the group insurance premiums for employees (this portion translates into the employer's share of the insurance costs that the Legislature appropriates every year) based on a sliding scale percentage of the employee's salary as follows:
 - 75 percent of the premium for employees earning less than \$15,000 per year;
 - 70 percent for employees earning \$15,000 but less than \$20,000 per year;
 - 65 percent for employees earning \$20,000 but less than \$25,000 per year; and
 - 60 percent for employees earning \$25,000 or more per year.
- In 2004, the Legislature amended the act to allow participating entities, if revenue is available, to contribute up to 80 percent of the cost of insurance for all employees.

Related Bill:

HB 62 *Health Solutions New Mexico Act*