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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/08

SPONSOR Komadina LAST UPDATED _____ HB _____

SHORT TITLE Public School Uniform Contributions SB 267

ANALYST Propst

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$38,265.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

Senate Bill 267, Relating to Health Insurance; Providing Uniform Contributions for Public School Employees, PSIA school districts and charters contribute an average of 64% of the total medical premium, based on the current contribution scale based on salary brackets.

SB 267 increases the minimum state contribution percentage towards group insurance for member school districts and charter schools, including APS, from a state contribution based on employee salary to a flat state contribution of 80% for all employees, regardless of salary. It does not change the contribution requirements for higher education entities participating in PSIA.

The table below shows the reductions in monthly payroll deductions under the flat 80% approach. The most an employee would pay under the proposed language is 20% (current ranges for employees are from 25% for the low paid to 40% for the higher paid.)

The Blue Cross Blue Shield High Option in effect October 1, 2007 are used below. PSAI notes that higher paid employees benefit the most.

Current Brackets	FY 08 Employee Deduction for Medical	New Employee Deduction at 20%
Under \$15,000	\$109 single, \$276 family	\$87 single, \$221 family
\$15,000 - \$20,000	\$130 single, \$331 family	\$87 single, \$221 family
\$20,000 - \$25,000	\$152 single, \$386 family	\$87 single, \$221 family
\$25,000 & over	\$174 single, \$442 family	\$87 single, \$221 family

FISCAL IMPLICATIONS

According to PSIA, revenue would be the same as premiums are not affected. The insurance increase in the Public School Support figure would increase. Note: These amounts are for PSIA districts and charters and do not include APS, which is roughly 35% the size of the PSIA pool.

The State share (annual) would increase by the following amounts for these PSIA coverages (in millions):

Medical:	\$35,193.0
Dental:	\$ 2,240.0
Vision:	\$ 432.0
Disability:	\$ 400.0
Total:	\$38,265.0

If the bill were amended to an October 1 effective date (see Administrative Implications and Amendment below), the first year impact would be for nine months or \$28,700.0; in subsequent years where the 80% contribution is for the full 12 months, the base figure would be \$38,265.0.

For subsequent years, PSIA used this base and assumed an average 10% increase.

SIGNIFICANT ISSUES

PSIA notes that there is no appropriation contained in the bill. In the 2004 session PSIA entities were given authority to increase their contributions up to 80%. PSIA is aware of three entities that have increased their contribution above the minimum brackets.

ADMINISTRATIVE IMPLICATIONS

PSIA notes the effective date contained in the bill is July 1, 2008. This is problematic for school business offices, which cut their summer payroll checks in May. A July 1 effective date would mean twice the work for school business offices because they would have to change the deductions once in May to reflect the new contribution of 80% and again in September for the October premium changes. In the future, however, it would be easier for the school business offices to have a flat 80% because the employer match would not change when an employee enters a different salary bracket.

TECHNICAL ISSUES

Page 7, line 4. Under current statutes, all charter schools (even those chartered out of APS) belong in the PSIA pool, so it does not appear that the phrase “including the school districts’ charter schools” is needed.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PSIA notes that fewer employees will be able to afford to enroll for health insurance benefits.

WEP/mt