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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/11

SPONSOR Ortiz y Pino LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Post-Secondary Assistants As Employees SB 400

ANALYST Haug

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		Substantial – See Narrative	Substantial – See Narrative			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

University of New Mexico (UNM)

### SUMMARY

#### Synopsis of Bill

House Bill 400 would require treatment as an employee, with the exception of contributions under the Educational Retirement Act, for all persons employed as a graduate assistant, teaching assistant, research assistant, or project assistant by a post-secondary educational institution.

### FISCAL IMPLICATIONS

House Bill 400 contains no appropriation. All cost estimation in this FIR is based on the UNM comments regarding additional cost for UNM. These costs would be multiplied depending on the numbers of graduate assistants at other qualifying institutions. UNM points out that FICA contributions would cost the University an estimated \$1.5 million per year. Students would also have to pay 7.65% of their pay or \$1.5 million as well.

This would be the single largest component of potential additional cost to the UNM. UNM states also that part-time employees are eligible to purchase UNM health insurance. The cost for the employer contribution could be as much as \$2.99 million a year for UNM if every eligible graduate student purchased health insurance. This cost also could be multiplied depending on the numbers of graduate assistants at other qualifying institutions.

**SIGNIFICANT ISSUES**

UNM states:

According to the UNM catalog, “the primary goal of an assistantship is to assist students in strengthening and successfully completing their academic program.” UNM benefits from their work as teaching, research, and project assistants and students benefit from the opportunity to learn and practice the skills that will be needed for their future careers. In addition to knowledge and skill development, students are compensated with a stipend and, in most cases, a tuition scholarship and student health insurance.

Unlike employees, assistants must maintain academic eligibility by meeting enrollment, academic progress, and GPA (3.0 minimum) standards each semester. If they are to be treated as employees, it is unclear how these standards would be enforced.

Most contracts are for a single semester, or at most a year. UNM processes about 2000 contracts each Fall and Spring semester, and enrolls about 1500 of these assistants in student health insurance. About 1000 of the assistants work for 20 or more hours per week. If they must be included in employee benefits, the increase in cost will be substantial, such that far fewer assistantships could be funded.

Graduate assistants are generally exempt from payment of FICA on assistantship income as long as they meet enrollment tests described in IRS revenue procedure 2005-11. Graduate assistants are subject to payroll withholding on assistantship income, but may also be eligible for education related tax benefits. UNM provides full payment of the graduate assistant’s student Plan A health coverage, on a semester-by-semester basis, if the graduate assistant meets certain eligibility requirements. The graduate student must however pay the additional cost for spouse and/or child coverage under student health insurance. It is unknown if other universities provide similar student health coverage for graduate assistants.

Student health insurance premiums at UNM for the current academic year are:

	<u>Plan A</u>	<u>Plan B</u>
Student Only	\$1,427	\$ 800
Spouse (add to student)	\$4,654	\$3,397
Each Child (add to student)	\$1,935	\$1,034
Deductible	\$150	\$1,500

Plan A total costs for the student, a spouse and one child would be \$8,034.00

It is unknown if the cost to UNM for the Plan A student only coverage is the \$1,427 per student only cost of Plan A or whether the cost is discounted to the University.

The range of employee health annual insurance premiums across both plans offered at UNM for .25 to .75 FTE, under \$25,000 annual salary on a monthly basis are as follows:

Employee only	\$3,657.60
Family	\$9,439.20
Deductible	\$0 - \$300

UNM notes that “The student would also pay substantially more for their health insurance (as an employee) than for student health as the plan (that is the employee plan) is far richer.” This statement is far more accurate when applied to student only coverage than to family coverage, particularly given the limitations on coverage in the student health insurance program.

GH/mew