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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**55th Legislature, 1st Session, 2021**

**Bill Number** SB110                      **Sponsor** Stewart

**Tracking Number** .218760.1              **Committee Referrals** SEC/SFC

**Short Title** Increasing Employer Contribution

**Analyst** Simon                                      **Original Date** 01/26/2021  
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**BILL SUMMARY**

Synopsis of Bill

Senate Bill 110 (SB110) would increase the minimum share of the total health insurance premiums school districts, charter schools, and other entities participating in group health insurance plans from the Public Schools Insurance Authority (NMPSIA) are required to pay for their employee's benefits.

The bill has an effective date of July 1, 2021.

**FISCAL IMPACT**

SB110 appropriates \$3.6 million from the general fund to the Public Education Department (PED) for distribution to school districts, charter schools, and other entities receiving benefits from NMPSIA to pay for increased insurance contributions in FY22. Any unexpended or unencumbered balance remaining at the end of FY22 will revert to the general fund.

NMPSIA estimates increased annual costs of \$5.5 million for school districts, charter schools, and participating entities, or \$1.8 million more than appropriated in SB110. NMPSIA's analysis of the data indicates school districts and charter schools would account for \$4.9 million of that cost, with \$571 thousand for higher education institutions and \$23 thousand for other entities.

SB110 would increase costs for some school districts and charter schools for employee health insurance but would likely increase take-home pay for many low-paid public school employees. Under current law, school districts and charter schools are required to pay a minimum percentage of total health insurance premiums, ranging from 75 percent of the total premium to 60 percent of the total premium. SB110 would increase the employer share of contribution for employees earning less than \$40 thousand per year, with a maximum employer contribution of 80 percent.

**Employer Share of Health Insurance  
Premiums**

<b>Salary Range</b>	<b>Current Law</b>	<b>SB110</b>
Less than \$15,000	75%	80%
\$15,000 to \$19,999	70%	75%
\$20,000 to \$24,999	65%	70%
\$25,000 to \$39,999	60%	70%
\$40,000 or More	60%	60%

Source: LESC Analysis

**SUBSTANTIVE ISSUES**

The Public School Insurance Authority Act was created to assist school districts statewide with procuring affordable health insurance benefits for employees, as well as property and liability insurance, at a time when many school district struggled to find insurance coverage. All school districts, apart from Albuquerque Public Schools, are covered by NMPSIA and subject to the provisions of the Public School Insurance Authority Act. All charter schools, including state- and locally chartered charter schools in Albuquerque, are covered by NMPSIA.

Under current law, there is significant inequity between public school employees and other public employees in employer funding of health insurance benefits. Section 10-7-4 NMSA 1978 provides that state agencies, boards, and commissions must pay more toward employee benefits than is required under the Public Schools Insurance Authority Act. In addition, APS currently covers 80 percent of the health insurance premiums for employees earning less than \$34,500, more than required by current law for NMPSIA-covered employees.

Total health insurance premiums are also higher for NMPSIA. For example a Blue Cross and Blue Shield preferred provider organization (PPO) plan with family coverage has a total premium of \$1,390 per month for APS employees, \$1,702 per month for a state employee, and \$1,945 for NMPSIA-covered employees. While coverage levels of the plans differ, much of this increase has to do with the higher cost of healthcare in rural areas of the state than in the urban areas. Because most NMPSIA members, apart from some charter school employees, are outside of the Albuquerque area, NMPSIA faces higher costs to insure this population.

Although the Public School Insurance Authority Act allows school districts and charter schools with available revenue to contribute up to 80 percent of the cost of insurance for all employees, few school districts and charter schools make additional contribution for employees. In the past, some school districts have decided to pay a larger share of employee benefits when health insurance premiums are increased but the school district is unable to increase salaries to offset the cost of the insurance premium increase. This prevents the school employee from seeing a reduction in take-home pay due to rising insurance costs.

**ADMINISTRATIVE IMPLICATIONS**

PED notes school districts and charter schools receive appropriations through the state equalization guarantee distribution (SEG) to pay the employer’s share of health insurance premiums, but the appropriation in SB110 would be directed to PED to distribute to entities covered by NMPSIA. PED suggests the Legislature may wish to consider making the appropriation to SEG rather than to PED.

**State Agency Share of Health Insurance**

Salary Range	Employer Share
Less than \$50,000	80%
\$50,000 to \$59,999	70%
\$60,000 or more	60%

Source: LESC

**Albuquerque Public Schools Share of Health Insurance**

Salary Range	Employer Share
Less than \$50,000	80%
\$50,000 to \$59,999	70%
\$60,000 or more	60%

Source: LESC

PED notes the provision of SB110 would require PED to distribute funding to other public entities that participate in the plans, such as regional education cooperatives, the New Mexico School for the Deaf, and a handful of higher education institutions that opt into NMPSIA's plan. Aside from regional education cooperatives, these entities typically do not receive direct funding from PED.

Some participating entities would be ineligible for a distribution from PED due to their status as private, nonprofit organizations. The Public Schools Insurance Authority Act allows a nonprofit organization dedicated to the improvement of public education and representing public school employees, public schools, or school districts to purchase health insurance coverage from NMPSIA. These organizations include the American Federation of Teachers New Mexico, the Association of Charter Schools Educational Services; Cooperative Educational Services; the National Education Association-New Mexico; the New Mexico Association of School Business Officials, the New Mexico Activities Association; the New Mexico Coalition of Educational Leaders, the New Mexico School Board Association, and Public Charter Schools of New Mexico. These organization do not receive state appropriations to cover the cost of health insurance benefits, and PED would need to ensure it complies with the anti-donation clause of the New Mexico Constitution when making distributions to participating entities.

**SOURCES OF INFORMATION**

- LESC Files
- Public School Insurance Authority
- Public Education Department

**JWS/kh**