



LFC Requester: Liu

**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2026 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: January 26 2026

Bill No: SB125

Committee Referrals: SEC/SFC

Agency Name and Code: PED - 924

Sponsor: Gonzales

PED Lead Analyst: Duncan Christensen

SCHOOL EMPLOYEE

Phone: (505) 500-9940 **Email:** Duncan.christensen@ped.nm.gov

Short Title: INSURANCE

PED Policy Senior Manager: denise terrazas

Title: CONTRIBUTIONS

Phone: (505) 470-5303 **Email:** denise.terrazas@ped.nm.gov

SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY27	FY28		
None	None	N/A	NFA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$125.0	\$125.0	\$125.0	\$375.0	Recurring	GF

Duplicates/Relates to Appropriation in the General Appropriation Act: [House Bill 133](#), the current version of the General Appropriation Act of 2026, includes an appropriation of approximately \$73.2 million to increase the employer share of insurance premium contributions for school staff to 80 percent.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Section 1 of Senate Bill 125 (SB125) would amend [Section 10-7-4 NMSA 1978](#) to require that all school districts and charter schools pay at least 80 percent of group insurance premiums for all public school employees (with the option to pay more), beginning in FY27. This would eliminate existing tiered salary thresholds for employer premium contributions by requiring the flat 80 percent contribution rate by employers. In support of this, Sections 2 and 3 of the bill clarify definitions in the [Health Care Purchasing Act](#) and the [Public School Insurance Authority Act](#) (PSIAA) respectively. Specifically:

- Section 2 and Section 3 of the bill delete the “publicly funded health care program” of a district over 60,000 enrollment from the Health Care Purchasing Act definition of “publicly funded health care agency,” and removes the exclusion that previously kept districts with membership over 60,000 students out of the PSIAA definition of “school district.”

Section 4 of this bill would eliminate waivers for insurance participation, beginning July 1, 2027. School districts and charter schools must therefore participate in the Public School Insurance Authority’s (NMPSIA) health, disability income, and term life insurance coverage and a waiver of health, disability income or term life insurance would not be effective after June 30, 2027.

Finally, Section 5 of SB125 would amend [Section 22-29-10 NMSA 1978](#) of the PISAA to bring it into accordance with the 80 percent rate established in the other sections of the bill. However, the bill would also specify that the rate of group insurance contributions for state educational institutions would be set by the board of regents or the governing boards of the institution for other diploma, degree-granting, and certificate-granting, postsecondary institutions. Contributions for nonprofit organizations eligible for participation in the authority would also be set at a rate determined by the respective organization.

This bill has an effective date of July 1, 2026, for Sections 1, 4, and 5 and an effective date of July 1, 2027, for Sections 2 and 3.

This bill is endorsed by the Legislative Finance Committee.

FISCAL IMPLICATIONS

Based on estimates provided to the Public Education Department (PED) in June 2025, the New Mexico Public School Insurance Authority (NMPSIA) determined the FY27 incremental cost of implementing a minimum 80/20 employer-employee split for NMPSIA-participating public school employers to be between \$37.191 million (using a current employer contribution baseline) and \$62.306 million (using the statutory baseline).

Similarly, estimates provided to the PED in December 2025 from Albuquerque Public Schools (APS) calculate the FY27 incremental cost of implementing a minimum 80/20 employer-employee split for APS employees to be \$25.4 million (assuming current membership). More broadly, the fiscal impact of shifting to a minimum contribution of 80 percent of health insurance premiums is estimated at \$74.5 million in FY27, based on current plan enrollment, current health insurance rates, and the current level of subsidies provided by school districts and charter schools, with a 10 percent projected rate increase for FY27.

Currently 67 school districts and 92 charter schools are covering insurance premiums for school employees in line with statutory minimums per NMPSIA. Combined, NMPSIA and APS estimates indicate an incremental FY27 cost of approximately \$62.6 million to \$87.7 million, depending on baseline assumptions. LESC estimated overall statewide implementation costs for the proposed 80/20 system would be between approximately \$51 million and \$74 million depending on current local contribution levels.

SIGNIFICANT ISSUES

Under current New Mexico law ([Section 10-7-4 NMSA 1978](#)), school districts and charter schools must contribute toward employee health insurance based on salary tiers:

- at least 80 percent of cost for employees earning less than \$50,000;
- 70 percent for employees earning \$50,000–\$59,999; and
- 60 percent for employees earning \$60,000 or more.

Consistent with changes made to the broader state employee insurance environment through [SB376](#) from 2025, SB125 would eliminate the tiered employer contribution model tied to employee salaries for school district and charter school employees. Overall, this would simplify the coverage system with a uniform 80 percent employer contribution requirement for all employees regardless of salary, raising the minimum contribution for higher-paid employees and eliminating the lower tiers.

New Mexico has historically had the highest insurance premiums in country, with the state only covering 65 percent of premiums on average. This discrepancy was partially addressed by the aforementioned legislation (SB376), which shifted public employees' premium responsibility to 80 percent for all salary ranges. However, this specifically excluded school district and charter school employees, who remain under the tiered system.

This presents a particular problem for the state, as there has been a consistent issue with teacher vacancies, with 742 vacancies reported in SY25. While the legislature has taken steps to alleviate this by increasing teacher salaries and other means, improving insurance premium contributions presents another lever for doing so. In particular, this bill would present the greatest benefit for the most experienced and qualified individuals (those with higher salaries and licensure levels), as school districts and charter schools tend to face challenges retaining and recruiting qualified staff when employees bear a large share of health insurance costs. Higher employer contributions can alleviate employee out-of-pocket premium burdens, improve compensation competitiveness especially with regard to other states, and reduce the financial burden for employers by reducing turnover and its associated costs.

The dollar impacts described below reflect [estimates from the LESC](#) using family Blue Cross Blue Shield Low Option plans. At present, public school employees earning between \$50,000 and \$59,000 pay 30 percent in maximum premium contributions with those earning \$60,000 or more paying up to 40 percent. Under SB125, annual savings could be up to \$2,358.48 for those in the middle range of earners and \$4,716.96 for those on the upper end who are covered through NMPSIA. For those covered by APS, the annual savings would instead be between \$2,324.40 and \$4,648.60. Additionally, while these changes may not affect all staff, all levels of teachers would

be affected. Savings by licensure level would be \$2,358.48, \$4,716.96, and \$4,716.96 for licensure levels I, II, and III, respectively.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

While the PED would not administer health insurance programs, it might play a key role by both coordinating education-sector participation, and providing and validating statewide school employer data needed for credible cost modeling.

The PED would also support statewide implementation by helping communicate compliance expectations to districts and charter schools (in coordination with NMPSIA and APS) and by assessing the feasibility of any integration options or legislative recommendations. This work would require significant staff time and cross-agency coordination under compressed timelines. The agency estimates 1.0 FTE would be required to implement the provisions of the bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- Relates to [House Bill 47](#), School Employee, Insurance Programs, a part of which duplicates the requirement for school districts and charter schools to pay at least 80 percent of employee group insurance costs, replacing the existing salary-tiered employer contribution schedule.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

The elimination of participation exclusions proposed by the bill's amended definition of "school district" would effectively require APS to participate in NMPSIA for health, disability income, and term life coverage beginning July 1, 2027. APS has publicly supported [legislative action to reduce employee premium costs](#).

As indicated previously, there is evidence that lower premium contributions could improve recruitment and retention of public school employees. [In Michigan](#), increases in insurance policy premiums was likely a major contributor to teacher attraction and retention according to the Citizens Research Council of Michigan. Similarly, the [RAND Corporation's 2024 study](#) on the State of the American Teacher Survey linked larger pay increases and adequate benefits with improved teacher retention. With the largest benefits going towards more experienced teachers, we would likely see better retention rates in the future across New Mexico's classrooms for Level II and III teachers in particular. These changes would likely improve educational quality and provide students with more stable learning environments.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.