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## FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 02/27/01 HB 815  
 SHORT TITLE: Raise Public Employee Salary Brackets SB \_\_\_\_\_  
 ANALYST: Carrillo

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			\$ 8,229.8	Recurring	General Fund
			\$ 794.2	Recurring	Other State Funds
			\$ 335.3	Recurring	ISIA*
			\$ 1,521.0	Recurring	Federal Funds

\*Internal Service Funds/Interagency Transfers

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Public School Insurance Authority  
 Commission on Higher Education  
 State Department of Education  
 State Highway and Transportation Department  
 State Personnel Office  
 Retiree Health Care Authority  
 Office of the Attorney General  
 Public Employees Retirement Association  
 LFC Files

### SUMMARY

#### Synopsis of Bill

House Bill 815 proposed to raise the public employee salary brackets used to determine employer insurance premium contribution levels. The proposed changes are illustrated below:

Employer Contribution Level	Current Salary Bracket	Proposed Salary Bracket
75 percent	Less than \$15,000	Less than \$22,500
70 percent	Less than \$20,000	Less than \$27,500
65 percent	Less than \$25,000	Less than \$32,500
60 percent	More than \$25,000	More than \$32,500

Significant Issues

According to staff from the State Personnel Office (SPO):

Section 10-7-4 NMSA 1978 (Group Insurance - Cafeteria Plan - Contributions from Public Funds) has not been adjusted since 1989. Inflation has resulted in employees moving up in the salary brackets and consequently paying for a larger and larger percentage of the total group insurance premium cost (and the public employer paying a smaller and smaller percentage).

There is a general fund cost generated by this change because the public employer share of the group insurance premium will increase. However, there is not an appropriation for FY02. In future years, the increased cost would be built into agency base budget requests.

**FISCAL IMPLICATIONS**

The following chart illustrates the impact of the increase in the salary brackets by \$7,500.

Agency	General Fund	Other State Funds	Interagency Transfers	Federal Funds	Total
RMD	1,910.0	794.2	335.3	1,205.0	4,244.5
PSIA	4,548.7			252.0	4,800.7
APS	1,771.1			64.0	1,835.1
<b>Total</b>	8,229.8	794.2	335.3	1,521.0	10,880.3

RMD – Risk Management Division  
 PSIA – Public School Insurance Authority  
 APS – Albuquerque Public Schools

The proposed legislation provides a potential increase to the net disposable income for those employees whose annual gross salary is \$32,500 or less.

**ADMINISTRATIVE IMPLICATIONS**

The human resources and payroll functions will have to be adjusted to accommodate the group health brackets.

**TECHNICAL ISSUES**

House Bill 815 should include an effective date of July 1, 2001.

**AMENDMENTS**

Include an effective date of July 1, 2001.

AG's staff suggests tying any dollar increase in the cost to the employee of the health plan with any cost of living increase granted to the employee.

WJC/prr