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## FISCAL IMPACT REPORT

SPONSOR: Ponce DATE TYPED: 02/18/03 HB 276/aHEC

SHORT TITLE: State Contribution for Group Insurance SB \_\_\_\_\_

ANALYST: Geisler

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			38,839.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Public Schools Insurance Authority (NMPSIA)

### SUMMARY

#### Synopsis of HEC Amendment

On page 7, line 10, after “for” insert “other” as a technical correction.

#### Synopsis of Original Bill

This bill gradually increases the state contribution for group insurance for public school district and charter school employee to achieve an 80% flat contribution rate by FY 07. The chart on the next page illustrates the 5% step increments and the timing, as well as the percentage of the NMPSIA enrolled population in each salary bracket range. The population statistics are based on data on file in October 2000.

This bill also restates the existing contribution rates by salary bracket for other public entity employees. It restates that other educational entities (non-districts and non-charter schools) that participate in the NM Public Schools Insurance Authority remain under the current contribution structure.

The fiscal estimates are based on NMPSIA’s October 2000 enrollment data with projections for premium increases in the future years. Albuquerque public schools has been added using an es-

estimate of 1/3 of NMPSIA impact.

Employee Salary	NMPSIA Enrollment	FY 03 State Share	FY 04 State Share	FY 05 State Share	FY 06 State Share	FY 07 State Share
Under 15K	24%	75%	80%	80%	80%	80%
\$15K - \$20K	8%	70%	75%	80%	80%	80%
\$20K - \$25K	9%	65%	70%	75%	80%	80%
\$25 & over	59%	60%	65%	70%	75%	80%

Significant Issues

Fiscal impact over the next four years – see attached spreadsheet. In summary:

- FY 04 +\$38,839,658
- FY 05 +\$29,498,988
- FY 06 +\$29,031,224
- FY 07 +\$31,488,617

**ADMINISTRATIVE IMPLICATIONS**

The step changes each fiscal year will require a comprehensive review at the school district payroll deduction level each year to ensure the appropriate deductions occur. The effective date of changing in July will be problematic, if not impossible, for districts to accommodate due to the summer payroll checks. Example: In May, districts cut checks, including withholdings for insurance through August. A July 1 change in contribution level would require double work in issuing summer checks.

**TECHNICAL ISSUES**

A recommendation is the reference on line 4, page 2 (PDF format) “school districts” should be changed to read “school districts and charter schools” to be consistent.

Another recommendation is the paragraph “B” on line 10, page 7 (PDF format) should say “for other participating”, to clarify that the other educational entities (non-districts and non-charter schools) participating in NMPSIA stay at the current level.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Participation in the group insurance plans will not increase, and further healthcare premium increases will erode more of the school employee’s take home pay.

**ATTACHMENT**

	NMPSIA Enrollment	FY 03 "Current" State Share of Benefit Cost	FY 04 State Share of Benefit Cost	FY 05 State Share of Benefit Cost	FY 06 State Share of Benefit Cost	FY 07 State Share of Benefit Cost
<b>Under 15K</b>	24%	75%	80%	80%	80%	80%
<b>\$15K - \$20K</b>	8%	70%	75%	80%	80%	80%
<b>\$20K - \$25K</b>	9%	65%	70%	75%	80%	80%
<b>\$25 &amp; over</b>	59%	60%	65%	70%	75%	80%
<b>Annual Spending Group Insurance</b>		\$160,000,000	\$195,000,000	\$218,400,000	\$240,240,000	\$264,264,000
<b>Annual Group Insurance Cost Excluding Higher Education</b>		\$144,000,000	\$175,500,000	\$196,560,000	\$216,216,000	\$237,837,600
<b>NMPSIA District Share of Group Insurance Cost</b>		\$93,384,000	\$122,586,750	\$144,766,440	\$166,594,428	\$190,270,080
<b>Plus APS (assumed 1/3 of NMPSIA)</b>		\$30,816,720	\$40,453,628	\$47,772,925	\$54,976,161	\$62,789,126
<b>Total</b>		\$124,200,720	\$163,040,378	\$192,539,365	\$221,570,589	\$253,059,206
<b>Increase each year</b>			\$38,839,658	\$29,498,988	\$29,031,224	\$31,488,617

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