F I S C A L   I M P A C T   R E P O R T

SPONSOR: Lopez DATE TYPED: 3/05/03 HB

SHORT TITLE: Require Health Insurance for Bond Recipients SB 419/aSCORC/aSPAC

ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	**FY04**	**FY03**	**FY04**		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 8, HB 15, HB 24

SOURCES OF INFORMATION

LFC Files

Responses Received From
Economic Development Department
Commission on Higher Education

SUMMARY

Synopsis of SPAC Amendment

The SPAC amendment limits the requirements of the bill to only certain large projects:

- For municipal IRBs, the health insurance requirements of the bill are limited to projects valued at over $8,000.0 which are located in municipalities of over 40,000 population.
- For county IRBs, the provisions of the bill are limited to projects valued at over $8,000.0 in Dona Ana, Santa Fe, Bernalillo and San Juan counties (Class A counties).
- For all IRB projects, the requirement that the employer contribute at least 50 percent of the insurance premium does not apply to dependent coverage.
- For in-plant training, the requirements are imposed only on employers who hire more than 20 trainees AND are located in either a Class A county or a municipality of over 40,000 population.
- For in-plant training recipients, the requirement that the employer contribute at least 50 percent of the insurance premium does not apply to dependent coverage.

Synopsis of SCORC Amendment

The SCORC amendment broadens the types of health care coverage that meet the requirement the bill imposes on employers who are benefiting from an Industrial Revenue Bond to provide health insurance for their employees. The amendment does not make the same change, however, for employers who are benefiting from in-plant training.

Synopsis of Original Bill

Senate Bill 419 amends current statute governing both the Industrial Development Training Program (also known as "in-plant training) and issuance of industrial revenue bonds (IRBs) to require employers that benefit from these programs to provide health insurance to their employees and to pay at least fifty percent of the health insurance premiums.

Significant Issues

The bill would require municipalities to ensure that the employer benefiting from the issuance of IRBs offers its employees health insurance and pays at least fifty percent of the insurance premiums. The bill would require the Economic Development Department to do the same for companies that receive in-plant training funds.

The Economic Development Department (EDD) believes that the provisions of the bill would reduce its ability to attract companies to New Mexico and to create new jobs through the use of the in-plant training program. Many smaller employers, particular those in rural areas or companies in a start-up mode, may not be financially able to offer health insurance, especially at a 50 percent premium.

The City of Albuquerque also believes the bill might harm smaller companies or companies in rural areas. While large, out-of-state companies might be able to absorb the costs of providing health insurance, smaller companies might not be able to do so.

EDD points out that the in-plant training board considers an employer's benefit package when it makes decisions on in-plant training funds. EDD believes the board tries to ensure that companies offer competitive wages and benefits to its employees. Likewise, the City of Albuquerque, one of the largest users of IRBs, reports that it assesses the benefit packages of prospective employers when making decisions on IRBs.

FISCAL IMPLICATIONS

This bill has no fiscal impact.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 8 appropriates $15,000.0 to EDD for in-plant training. HB 15 appropriates $20,000.0 for the program. HB 24 amends statute to allow the in-plant training program to be used to fund part-time employees and to provide for training funds for full-time-equivalent employees.

OTHER SUBSTANTIVE ISSUES

According to EDD, the in-plant training program often funds smaller companies that might be unable to meet the health insurance requirements contained in this bill. So far in FY03, of the 25 companies funded by the program, 15 employ less than 20 people. The program has funded 9 companies in rural areas for a total of 468 new jobs.

EDD points out that a House Business and Industry Committee amendment to HB 8 would require the in-plant training program to expend at least $5,000.0 in rural areas. If the health insurance provisions of SB 419 do in fact limit EDD's ability to fund companies in rural areas, it might not be able to meet the $5,000.0 goal.

EDD suggests one alternative would be to exempt small companies from the provisions of this bill, or to require a reduced premium for very small companies.

POSSIBLE QUESTIONS

Does the mandatory provision of health insurance outweigh the benefits of new job creation if the new jobs do not include health insurance?

LP/yr:njw