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FISCAL IMPACT REPORT

SPONSOR Gonzales **DATE TYPED** 2-24-05 **HB** 818

SHORT TITLE School Bus Contractors as School Employees **SB** _____

ANALYST Segura

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$13,867.2		Significant	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
New Mexico Public School Insurance Authority (NMPSIA)

SUMMARY

Synopsis of Bill

House Bill 818 appropriates \$13,867.2 for FY06 to cover the school districts employer share of employee benefits for school bus contractor employees. The bill makes employees of school bus contractors employees of the school district for salary and benefits purposes.

Significant Issues

According to NMPSIA, currently eligibility for bus drivers is limited to individual owner operators as follows:

- An individual who owns only one bus and drives the bus on a full-time basis is, as a driver, considered an employee of the district. The local board shall enter into an employment contract with the driver. The driver's salary shall be calculated on the local board's established salary schedule for bus drivers. Benefits shall be calculated on the salary amount according to the established benefit rates.

The PED states that under the bill, school bus contractor employees have the option of a health plan covered by the school district. Presently, contractors do not offer many benefits plans to their employees. School bus driving is part-time employment. This bill will provide individual employees and their families with an optional health plan, which presently does not exist among the 1,850 contractual bus employees.

FISCAL IMPLICATIONS

House Bill 818 appropriates \$13,867,200 from the general fund is recurring.

The NMPSIA states that if we assume the benefits portion of the appropriation is 30%, or \$4.2 million, this represents an increase of 2 % to the PSIA Benefits budget for FY06.

It should be noted that education reform may require the expenditures of a least an additional \$26 million in FY07 as follows:

- \$16 million for raising minimum salaries of level 3-A teachers to \$45,000; \$4 million for pre-kindergarten; and \$6 million for fine arts. These will be in addition to expected increased costs for opening the doors (fixed costs, insurance, enrollment growth, and increased employer contributions to the educational retirement fund) which could be another \$35 million. In addition, \$4 million is needed for increased employer contributions to educational retirement fund from higher education institutions. It may be prudent to avoid additional commitments to recurring appropriations in future fiscal years.

ADMINISTRATIVE IMPLICATIONS

The NMPSIA indicates that it carefully established eligibility rules in its pool covering 59,000 members to ensure adverse selection did not cause adverse claim results. The authority assumes that these employees would be higher risk due to age, industry, and turnover. The PSIA pool would have to assume COBRA liability for bus drivers in the event the district terminated the contract.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 818 conflicts with PSIA Rules and Regulations, and PSIA enabling legislation and School Transportation rules.

TECHNICAL ISSUES

PSIA states that it would be virtually impossible to revert any unexpended balance attributed to these employees in a timely manner, as claims would need to be completed, which is approximately 18 months.

The Albuquerque Public Schools (APS) is not part of PSIA's pool. The impact to APS is not addressed.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If House Bill 818 is not enacted, private sector bus fleet owners will need to provide their own benefits to their own employees.

RS/lg