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FISCAL IMPACT REPORT

ORIGINAL DATE 2/02/06

SPONSOR Nunez LAST UPDATED _____ HB 352

SHORT TITLE NMSU to Join Retiree Health Care Authority SB _____

ANALYST Geisler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$6,700.0	Non-Recurring	General Fund
	See Fiscal Impact		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State University (NMSU)

New Mexico Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

\$6.7 million is appropriated from the general fund to New Mexico State University to pay the cost of joining the Retiree Health Care Authority. NMSU notes that approximately 800 retired employees would be impacted as well as future NMSU retirees. NMSU currently has about 4,100 employees.

FISCAL IMPLICATIONS

Entities such as NMSU that want to join RHCA must pay a “surplus amount contribution” which represents the proportionate share of any excess funding credited to the retiree health reserve fund if the entity had joined the RHCA program at its inception in 1990. RHCA provided NMSU a preliminary estimate of the contribution required of \$6.7 million in November 2005.

RHCA has updated its estimate to \$8.81 million based on updated internal information. RHCA notes that should NMSU decide to join the estimate will again be updated and may increase. Please see additional discussion below under “significant issues.”

SIGNIFICANT ISSUES

RHCA notes that the actual surplus amount contribution figure provided to NMSU in November 2005 was \$6,724,551.48, which was an estimate. RHCA has updated the calculation with all available information and now estimates the surplus amount contribution required from NMSU at \$8,806,194. This increase results from updating the following factors used in the formula:

- The number of retirees enrolled in the RHCA program was updated to 1/1/06
- The RHCA reserve fund amount at the end of FY04 has been updated from a \$110 million estimate used in the November calculation to an actual of \$133.5 million
- The RHCA reserve fund amount in FY06 has been updated from an estimate used in the November 2005 calculation to an updated number (approximately \$156 million) as of December 31, 2005.

RHCA stresses that the \$8,806,194 figure is still an estimate due to the following factors:

- NMSU provided RHCA with the number of its active employees for FY 91-06 as required for the formula, but omitted part-time/temporary employees from the count each year; RHCA has confirmed that these employees do contribute to ERA and qualify for retirement and pension, and therefore must be counted
- NMSU has indicated that its active employee counts are estimated, not actual
- NMSU is working to locate historical data on employee counts that are actual and that include part-time/temporary employees who contribute to ERA
- RHCA has determined that its own data showing active RHCA-contributing employee counts for each fiscal year (also used in the formula) appear to reflect actuals from FY91-FY02, but then reflect a 2% estimated growth factor from FY03-FY06; RHCA will seek actual numbers over the next six months

ADMINISTRATIVE IMPLICATIONS

RHCA's current service ratio is 6 service representatives to 37,000+ participants, or 1:6167. Adding additional employer groups increase that ratio and could require additional staff to meet customer service demands.

ALTERNATIVES

An alternative to making a lump sum payment is available. Pursuant to statutory authority, NMAC 2.81.10.8(B) provides for up to a 13-year payment schedule plus 7.5% interest per annum.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMSU may be unable to support the cost of either joining the retiree health care program or funding its own retiree health care program.

GG/mt:yr