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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/21

SPONSOR Stewart LAST UPDATED _____ HB _____

SHORT TITLE Increasing Employer Contribution SB 110

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$3,644.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Public Schools		\$4,891.3	\$4,891.3	\$9,782.6	Recurring	SEG
Higher Education		\$571.0	\$571.0	\$1,142.0	Recurring	Various, Institutions
Other		\$23.1	\$23.1	\$46.2	Recurring	Various, Agencies
Total		\$5,485.4	\$5,485.4	\$10,970.8	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public School Insurance Authority (NMPSIA)

SUMMARY

Synopsis of Bill

Senate Bill 110 (SB 110) increases employer contributions for NMPSIA-provided health insurance plans by 5 percent for employees earning \$40,000 or less and changes income thresholds which determine employer contribution percentages for health insurance as follows:

Income Threshold	Employer Insurance Contribution	
	Current	SB110
Less than \$15,000	75%	80%
\$15,000-\$20,000	70%	75%
\$20,000-\$25,000	65%	Tier Discontinued
\$20,000-\$40,000	New Tier	70%
Over \$25,000	60%	Tier Discontinued
Over \$40,000	New Tier	60%

SB110 increases employer contributions to employee health insurance by 5 percent for all employees making less than \$40 thousand per year. For individuals earning over \$40 thousand, the employer health insurance contribution will remain at 60 percent. Currently, the income thresholds determining employer contributions end at an annual income of \$25 thousand. SB110 increases this to \$40 thousand.

The provisions of SB110 will be effective July 1, 2021.

FISCAL IMPLICATIONS

NMPSIA notes that, based on current membership, the appropriation of \$3.6 million will not cover the additional costs of SB110. The agency estimates the total cost to implement the provisions of SB110 at \$5.46 million with public schools accounting for \$4.89 million of that amount. The Legislature provides general fund appropriations to the public school support budget to pay for increased insurance costs and it is assumed that the entirety of the cost increase associated with SB110 will be borne by the general fund.

NMPSIA provides health benefits insurance to 9 higher education institutions and estimates the change in SB110 would create an additional employer cost of \$571 thousand at these institutions. Lastly, other institutions, including NMPSIA, receive coverage through the plan and would face increased costs of \$23.1 thousand annually.

SIGNIFICANT ISSUES

Health insurance benefits are offered through three primary agencies: The General Services Department (GSD) for state employees; Albuquerque Public Schools (APS); and NMPSIA for employees of school districts outside of APS as well as charter schools statewide. LFC analysis of health benefits plans offered by various state agencies concluded that “the trifurcated system of providing health benefits has led to different plan designs, premiums, and employee and employer contribution rates.”

Employer contribution rates by plan sponsor and income are shown below:

NMPSIA-Covered Employees

Income	SB110 (Proposed)
Less than \$15,000	80%
\$15,000-\$20,000	75%
\$20,000-\$40,000	70%
Over \$40,000	60%

GSD-Covered Employees

Income	Current
Less than \$50,000	80%
\$50,000-\$60,000	70%
Over \$60,000	60%

APS-Covered Employees

Income	Current
Less than \$39,500	80%
\$39,500-\$45,000	70%
Over \$45,000	60%

Should the provisions of SB110 be enacted, education employees earning \$40 thousand or less will experience an increase in take home pay as their contributions for insurance are reduced.

OTHER SUBSTANTIVE ISSUES

SB110 makes an appropriation to cover increased costs of increasing the employer contributions for “school districts, charter schools and participating entities.” While “participating entities” includes a number of higher education institutions, it also includes private nonprofit entities, such as the American Federation of Teachers New Mexico and the Association of Charter School Educational Services. Should SB254 be enacted, the public education department could not make distributions to these entities because it would be a violation of the anti-donation clause.

CJ/al