

LFC Requester:	Connor Jorgensen
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**AGENCY BILL ANALYSIS
2021 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment** _____
Correction _____ **Substitute** _____

Date 1/28/2021
Bill No: SB110

Sponsor: Mimi Stewart
Short Title: INCREASING EMPLOYER CONTRIBUTION

Agency Name and Code PED-924
Number: _____
Person Writing John.Sena@state.nm.us
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SECTION II: FISCAL IMPACT

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
Total			\$3,644.0	\$3,644.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 110 (SB110) would increase the employer share of the cost of health insurance premiums provided by the New Mexico Public School Insurance Authority (NMPSIA) to eligible members by five percent for employees earning less than \$40 thousand.

SB110 would increase the upper threshold for increased employer contributions from \$24,999 to \$39,999 resulting in a greater number of employees benefitting from the changes.

INCOME	CURRENT STATUTE	SB-110
< \$15,000	75%	80%
\$15,000 < \$20,000	70%	75%
\$20,000 < \$25,000	65%	--
\$20,000 < \$40,000	--	70%
\$25,000 and Above	60%	--
\$40,000 and above	--	60%

It is important to note that existing statute provides that within available revenue, school districts, charter schools, and participating entities in the authority may contribute up to eighty percent of the cost of the insurance of all employees.

FISCAL IMPLICATIONS

The appropriation of \$3.644 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 22 shall revert to the general fund.

SB110 provides an appropriation to the Public Education Department (PED) to distribute to school districts, charter schools and participating entities in the public school insurance authority to pay for increased employer contributions for group health insurance.

This bill provides for a permanent statutory change to the employer share of health insurance premiums for certain groups of employees. This is recurring expense to the general fund.

Appropriations for employer contributions are currently contained in the State Equalization Guarantee (SEG) Distribution base. The appropriations contained in this bill should be to the SEG and distributed according to the funding formula. A one-time appropriation to the PED will cover the statutory mandate for FY22 only and subsequent yearly requirements would be an unfunded mandate. If the appropriation were to the SEG, it would be included in the base and would be available annually to meet statutory provisions.

SIGNIFICANT ISSUES

The Executive budget recommendation assumes a 9.3 percent increase in health care insurance premiums for FY22 and provides an appropriation recommendation of \$20.8 million to cover these costs. The categorical appropriation of \$3.644 million to PED contained in this bill does not account for the added costs of the employer share of these premiums and does not appear to be sufficient to meet the statutory mandate.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None as of 1/26/2021.

TECHNICAL ISSUES

Several entities beyond public school districts and charter schools participate in the NMPSIA insurance program. These are authorized under the Public School Insurance Authority Act. Section 22-29-3(F) NMSA 1978 identifies educational entities to include state educational institutions as enumerated in Article 12, Section 11 of the constitution of New Mexico and other state diploma, degree-granting and certificate-granting post-secondary educational institutions, regional education cooperatives and nonprofit organizations dedicated to the improvement of public education and whose membership is composed exclusively of public school employees, public schools or school districts.

Organizations that meet this definition and currently participate in NMPSIA include:

- American Federation of Teachers New Mexico;
- Association of Charter School Educational Services;
- Cooperative Educational Services;
- Los Alamos Schools Credit Union;
- National Education Association-NM;
- NM Association of School Business Officials;
- New Mexico Tech Retirees;
- NM Activities Association;
- NM Coalition of Educational Leaders;
- NM School Board Association;
- Public Charter Schools of New Mexico; and
- Quay Schools Federal Credit Union.

This list is problematic as these entities are not public agencies and therefore not eligible to receive direct support from the state. If the PED were to distribute the appropriation to these entities the department would be in violation of the anti-donation clause of the New Mexico Constitution found in Article 9, Section 14.

Other “participating entities” include state agencies or higher education institutions and include:

- Regional Education Cooperatives;
- ENMU Portales;
- ENMU Roswell;
- Luna Community College;
- Mesalands Community College;
- New Mexico Junior College;
- New Mexico Tech;
- New Mexico School for the Deaf;
- Northern New Mexico College;
- Public Schools Insurance Authority;
- Santa Fe Community College; and
- Western New Mexico University.

Other than the Regional Education Cooperatives that are administratively attached to the PED, these institutions of higher education and NMPSIA do not receive direct funding from the PED. It is unclear if the appropriation is sufficient for PED to meet the requirements of school districts and charter schools and these added entities.

OTHER SUBSTANTIVE ISSUES

The Legislature may wish to consider making the appropriation to the SEG in an amount that will cover the increases to school districts and charter schools and make a separate appropriation to the PED for the RECs and to the Higher Education Department and NMPSIA to cover their costs.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS

None as of 1/26/2021.