

<b>LFC Requester:</b>	<b>Jorgensen</b>
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**AGENCY BILL ANALYSIS  
2022 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

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*{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:*

<b>Original</b>	<input type="checkbox"/>	<b>Amendment</b>	<input type="checkbox"/>	<b>Date</b>	January 21, 2022
<b>Correction</b>	<input checked="" type="checkbox"/>	<b>Substitute</b>	<input type="checkbox"/>	<b>Bill No:</b>	HB59

<b>Sponsor:</b>	Reps. Lara, Romero, Allison, Figueroa, and Armstrong	<b>Agency Name and Code Number:</b>	PED - 924
<b>Short Title:</b>	School Group Insurance Contributions	<b>Person Writing</b>	John Sena
		<b>Phone</b>	505-570-7816
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
	\$52,200.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>		(\$4,400.0)	(\$59,900.0)	(\$64,300.0)	Recurring	LEA Operating Budgets (SEG)

(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**

House Bill 59 (HB59) proposes to repeal the current system of tiered group insurance contributions for school districts, charter schools and participating entities in the New Mexico Public School Insurance Authority, instead requiring employers to cover at least 80 percent of the cost insurance for all employees.

**FISCAL IMPLICATIONS**

HB59 appropriates \$52.2 million from the general fund to the Public Education Department (PED) for expenditure in FY23. PED would be required to distribute these funds to school districts, charter schools, and other entities that participate in the New Mexico Public School Insurance Authority (NMPSIA) to pay the cost of increased employer insurance contributions.

Data in PED’s Operating Budget Management System (OBMS) suggest school districts and charter schools covered by NMPSIA spent \$178 million on health, medical, dental, vision, and disability in FY21. Data from STARS suggest 90 percent of employees benefit from a 60 percent contribution rate, while about 10 percent of employees are distributed among the other tiers. Staff estimate the cost of increasing the employer insurance contribution rate for all employees to 80 percent would cost school districts and charter schools \$56.6 million in FY23. The bill appropriates \$52.2 million to PED to cover a large portion of the increased insurance costs in FY23, resulting in an estimated unfunded fiscal impact of \$4.4 million on school district and charter school operating budgets.

PED staff estimate a 5 percent inflation rate in FY24 will increase this overall impact from \$56.6 million to \$59.9 million. The bill does not create a recurring funding source to ensure these costs will be covered in FY24; if HB59 passes, the Legislature will need to include funding in the General Appropriation Act of 2023 to prevent a full unfunded impact of \$59.9 million on school district and charter school operating budgets.

Albuquerque Public Schools (APS), the state’s largest school district, was not included in this analysis because the district does not participate in NMPSIA. However, APS may incur additional costs to retain educators and educational personnel as the district is pressured to compete with NMPSIA’s new benefit structure. These costs are difficult to estimate, but would be substantial – in FY21, APS spent \$59 million on insurance, representing about a quarter of the entire state’s spending on educational insurance benefits.

## **SIGNIFICANT ISSUES**

HB59 proposes to significantly increase the employer's share of health insurance benefits from the levels in current law. Under the current tiered system, educational employers are required to cover a larger percentage of insurance for employees at lower salary levels. The current statutory tiers are as follows:

1. For employees with less than \$15,000 annual salary, the employer share is 75 percent;
2. For employees with annual salaries between \$15,000 and \$20,000, the employer share is 70 percent;
3. For employees with annual salaries between \$20,000 and \$25,000, the employer share is 65 percent; and
4. For employees with salaries more than \$25,000, the employer share is 60 percent.

HB59 repeals this tiered approach in favor of a flat rate of 80 percent for all employees, regardless of salary level.

**Educator Recruitment and Retention.** HB59 shifts a large portion of health insurance premiums from educational employees to school districts and charter schools, creating a potentially lucrative incentive for individuals to pursue a career in education. As a result, HB59 may serve to recruit and retain teachers at a time where educational vacancies are extraordinarily high. New Mexico State University's Southwest Outreach Academic Research (SOAR) Evaluation and Policy Center in the fall of 2021 reported more than 1,000 teacher vacancies across the state. Nearly 300 of those vacancies were for special education teachers, while there were 279 elementary teacher vacancies, 197 high school teacher vacancies, and 179 middle school teacher vacancies. Across all grade levels, the demand was highest for math teachers, with 84 vacancies, followed by 77 science vacancies and 56 English language arts vacancies. The Covid-19 pandemic has exacerbated those conditions, and recent teacher testimony before the Legislative Education Study Committee (LESC) indicated increasing vacancies in the months after the SOAR report was published.

**Potential for Disqualification.** Insurance contributions are typically covered in the Legislature's appropriation to the state equalization guarantee (SEG). Funds in the SEG are distributed to all school districts through an equalized funding formula that accounts for many characteristics of the districts enrollment, demographics, and programming. HB59 would require PED to make distributions to individual school districts outside the public school funding formula, creating a potentially disqualifying effect on school district revenues.

## **PERFORMANCE IMPLICATIONS**

N/A

## **ADMINISTRATIVE IMPLICATIONS**

Because HB59 would appropriate funding directly to the PED, rather than through the state equalization guarantee (SEG), the department would be required to develop a new methodology to distribute the appropriated \$52.2 million to school districts, charter schools, and other educational entities covered by NMPSIA.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Conflicts with SB101, which adjusts the insurance contribution tiers as follows:

<b>Tier</b>	<b>Current Law (Employer Contribution Rate)</b>	<b>SB101 (Employer Contribution Rate)</b>
1	Employees making less than \$15,000 (75%)	Employees making less than \$25,000 (80%)
2	Employees making between \$15,000 and \$20,000 (70%)	Employees making between \$25,000 and \$30,000 (75%)
3	Employees making between \$20,000 and \$25,000 (65%)	Employees making between \$30,000 and \$35,000 (70%)
4	Employees making more than \$25,000 (60%)	Employees making between \$35,000 and \$40,000 (65%)
5		Employees making more than \$40,000 (60%)

## **TECHNICAL ISSUES**

N/A

## **OTHER SUBSTANTIVE ISSUES**

The executive budget recommendation for FY23 includes a \$21.7 million increase to the SEG to increase insurance benefits by 9 percent based on NMPSIA projections. The LFC and LESC did not recommend fully funding this request, instead proposing insurance increases of \$12 million and \$9 million respectively. However, the LESC recommendation included an additional \$10.6 million to increase the employer share of health insurance premiums in accordance with SB101, a competing proposal.

## **ALTERNATIVES**

N/A

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

N/A

## **AMENDMENTS**

The Legislature may wish to consider amending the appropriation in HB59 to be made to the SEG, ensuring the funding becomes a recurring funding source that is automatically via the public school funding formula.