

<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:**

**[LFC@NMLEGIS.GOV](mailto:LFC@NMLEGIS.GOV)**

*and*

**[DFA@STATE.NM.US](mailto: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** January 28, 2022  
**Bill No:** SB112

**Sponsor:** Sen. Gonzales  
Retiree Health Care Fund  
**Short Title:** Contributions

**Agency Name and Code Number:** PED - 924  
**Person Writing** John Sena  
**Phone** 505-570-7816 **Email:** John.sena@state.nm.us

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		

(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>		(\$12,633.0)	(\$15,337.0)	(\$27,970.0)	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**

Synopsis:

Senate Bill 112 (SB112) increases the employer's and employees' share of contributions to the Retiree Health Care Fund as follows:

- During the preliminary contribution period, for employees who are not on an enhanced retirement plan, the employer's contribution shall increase from 2 percent of the employee's salary to 2.33 percent.
- During the preliminary contribution period, for employees who are on an enhanced retirement plan, the employer's contribution shall increase from 2.5 percent of the employee's salary to 2.93 percent.
- Following the completion of the preliminary contribution period, for employees who are not on an enhanced retirement plan, the employees' contribution shall increase from 1 percent of the employee's salary to 1.17 percent.
- Following the completion of the preliminary contribution period, for employees who are on an enhanced retirement plan, the employees' contribution shall increase from 1.25 percent of the employee's salary to 1.47 percent.

The bill makes other nonsubstantive technical changes.

**FISCAL IMPLICATIONS**

SB112 does not contain an appropriation.

Based on FY22 budgeted salary data in OBMS, PED staff estimate the cost of increased employer contributions included in SB112 to the Retiree Health Care Fund will cost school districts and charter schools approximately \$12.6 million in FY23 and \$15.3 million in FY24. PED's analysis assumes the Legislature will adopt the PED and LFC recommendations to increase teacher minimum salaries and provide an across-the-board salary increase of 7 percent in FY23, and further assumes an average 5 percent increase in FY25.

Increasing employee contributions to the Retiree Health Care Fund will not impact educational budgets but will result in slightly less take-home pay for teachers and other educational personnel.

## **SIGNIFICANT ISSUES**

The Legislature should take care to prevent unfunded mandates on school districts and charter schools by providing adequate funding for SB112 in the state equalization guarantee (SEG). PED's FY23 request for public school support and the LFC and LESC FY23 recommendations for public school support do not include funding to support the increased employer contributions. Moreover, SB112 does not appropriate funds to the SEG to cover the increased cost of employer contributions. As a result, school districts and charter schools will be required to cover the expenses with operational funds.

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 interim legislative committees has indicated increasing vacancies in the months after the SOAR report was published. Improving retirement benefits may serve to recruit and retain qualified educators teachers, though these benefits may be slightly offset by the bill's impact on take-home pay.

## **PERFORMANCE IMPLICATIONS**

N/A

## **ADMINISTRATIVE IMPLICATIONS**

N/A

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

N/A

## **TECHNICAL ISSUES**

N/A

## **OTHER SUBSTANTIVE ISSUES**

N/A

## **ALTERNATIVES**

N/A

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

N/A

## **AMENDMENTS**

N/A