LFC Requester:	Simon

AGENCY BILL ANALYSIS
2023 REGULAR SESSION

SECTION I: GENERAL INFORMATION

Check all that apply:

Original X **Amendment** ____ **Date Prepared**: 02/18/23
Correction ___ **Substitute** ____ **Bill No**: HB36

Sponsor: Lara
Short Title: SCHOOL GROUP INSURANCE CONTRIBUTIONS

Agency Name and Code Number: PED-924
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
None	$70,248.9	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
None	None	None	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	$12,500.0	See Significant Issues	N/A	None	GF/SEG

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act: None

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 36 (HB36) increases the employer share of insurance costs (medical, dental, and vision) for employees covered by the New Mexico Public School Insurance Authority (NMPSIA) from the four-tier stepped system based on income at least 80 percent.

FISCAL IMPLICATIONS

The assumptions discussed below assume an employer share of 80 percent for all employes. Provisions contained in the bill make the 80 percent rate a minimum and if a school district or charter school choose to make higher contributions, the fiscal assumptions could be low.

HB36 contains an appropriation of $70.2 million to the Public Education Department (PED) to cover the costs of the 80 percent provisions contained in the bill. Any unexpended or unencumbered funds remaining at the end of FY24 shall revert to the general fund.

Estimates developed by New Mexico Public School Insurance Authority (NMPSIA) using current year expenditures and allowing for an inflationary increase of 7.2 percent in insurance costs for FY24 indicate a need of $70.2 million to fund the 80 percent provisions contained in HB36 and aligns with the appropriation contained in the bill.

It should also be noted that the Albuquerque Public Schools (APS) is self-insured and does not participate in the NMPSIA program. Because the $70.2 million only covers NMPSIA costs and any appropriations to the State Equalization Guarantee (SEG) are distributed to all school districts and charter schools, the total amount distributed would be diluted by the share allocated to APS (about 20 percent), resulting in insufficient funds being allocated to the NMPSIA school district and charter school participants.

To avoid the shortfall and running through the SEG, the bill should set aside an appropriation in proportion to each participating school district's and charter school's share of the total statewide program cost to ensure that entities participating in NMPSIA receive additional funding and non-participating entities do not.

The appropriations contained in HB36 would be made to PED. This would cause additional administrative work to create separate budgets and budget adjustments as well as allocation tables and award letters. Since the provisions of HB36 proposes permanent amendments, the appropriate fund for the appropriation is the State Equalization Guarantee distribution.

SIGNIFICANT ISSUES

As noted, APS does not participate in the NMPSIA program and because the amended provisions of HB36 only apply to NMPSIA-associated entities, the provisions contained in the bill will not apply to APS. APS will keep in place their current levels of employer contributions.

APS has estimated the cost of implementing the provisions contained in HB36 to be $12.5 million. This is a significant amount that would add to the total needed if the Legislature wishes to amend HB36 to provide the same requirements to all school districts and charter schools.

The cost estimates were developed using FY23 actual data with a 7.2 percent inflationary increase for FY24. Several considerations need to be addressed regarding unanticipated consequences. One is whether the increased employer contribution requirements will incentivize increased employee participation in the NMPSIA by employees adding a higher level of coverage or shifting from other forms of insurance (e.g., spousal insurance outside of NMPSIA).
Further, with the state working to shore up the teaching force by improving salaries and benefits, there is an expectation that vacancy rates may shrink. With additional employees entering NMPSIA coverage, the department anticipates additional financial liabilities in future years not accounted for in this appropriation.

As with any spending mandate, most of the focus is on the general fund impact and appropriations. A large portion of school district and charter school operations are funded by other revenue streams (e.g., federal funds, below-the-line appropriations, SpEd, Title I, Nutrition, etc.). The provisions in this bill apply to staff that are funded through these programs and sufficient funds from these revenue streams may not be available for proper implementation causing districts and charter schools to use general fund appropriations to cover these added costs, risking supplanting issues.

PERFORMANCE IMPLICATIONS
The provisions contained in this bill should assist school districts and charter schools to attract and retain staff, thereby working to alleviate staffing shortages that have plagued the state for years.

ADMINISTRATIVE IMPLICATIONS
As noted under Fiscal Implications (above), the appropriations contained in HB36 would be made to PED. This would cause additional administrative work to create separate budgets and budget adjustments as well as allocation tables and award letters. Since the provisions of HB36 proposes permanent amendments, the appropriate fund for the appropriation is the State Equalization Guarantee distribution.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP
HB36 conflicts with HB102. HB102 increases the employer share of insurance costs (medical, dental, and vision) for employees covered by NMPSIA, providing that the first $10,000 of annual insurance costs be covered at 100 percent and any cost of annual health insurance premiums above $10,000 be paid at least 60 percent by the employer.

TECHNICAL ISSUES
Subsection A of Section 1 of the bill *requires* that, “within available revenue” NMPSIA-covered employers pay at least 80 percent of insurance costs for all employees. The bill does not indicate what should happen when available revenue is insufficient to cover 80 percent of the insurance costs for all employees.

Because there is no current mechanism within the SEG funding formula to distribute funding for this particular initiative (meaning proportional funding for all districts except APS), a set-aside of the appropriation in proportion to each participating school district and charter school's share of the total statewide program cost would be necessary to ensure that entities participating in NMPSIA receive additional funding and non-participating entities do not.

OTHER SUBSTANTIVE ISSUES
None.

ALTERNATIVES
None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
NMPSIA participating entities will continue to pay a portion of the costs of insurance based on a tiered schedule.

AMENDMENTS
The sponsor may wish to consider amending the bill to indicate how much insurance costs NMPSIA-covered employers must pay for employees when revenue is insufficient to allow for 80

percent of the coverage.

The sponsor may wish to consider including APS in the increased employer contribution provision by amending the bill as follows:

- Section 1, Subsection A, on page 1, line 22; after “authority” insert “and any school district who self-insures its insurance program”

- Section 2, on page 3, line 8 strike, “public education” and on page 3, line 9 strike, “department” and replace with, “state equalization guarantee distribution”