

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Hall ORIGINAL DATE _____ LAST UPDATED _____ HB 116

SHORT TITLE Education Employee Retiree Health Care SB _____

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$5.0-\$10.0				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Educational Retirement Board (ERB)

New Mexico Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

HB 116 proposes to allow a “provisional member” as defined in the Educational Retirement Act to decline to participate in the Retiree Health Care Act.

FISCAL IMPLICATIONS

RHCA reports no material fiscal impact. However, ERB reports that given the 45 year passage of time and the complete turnover in ERB staff since 1971, the ERB is no longer certain which groups of employees, other than bus drivers, were historically classified as provisional members.

SIGNIFICANT ISSUES

ERB notes the Educational Retirement Act (ERA) recognizes two categories of members - regular and provisional. Per NMSA 1978, Section 22-11-2(B), regular members include teaching, nursing and administrative staffs of educational institutions. Per Section 22-11-2(C), a “provisional member” is a person not eligible to be a regular member. Historically, provisional members included bus drivers and possibly cafeteria and custodians. Prior to 1971, a provisional member could exempt themselves from coverage under ERA. However, per NMSA 1978, Section 22-11-18, provisional members hired after July 1, 1971 must be covered under the ERA.

ERB further notes that as a result of the 1971 change in law, the distinction between regular and provisional members became inconsequential for the administration of the retirement plan.

PERFORMANCE IMPLICATIONS

Neither ERB nor its 218 employers currently tract members as either regular or provisional.

ADMINISTRATIVE IMPLICATIONS

ERB's 218 participating schools districts and institutions of higher education would need to reclassify their 60,000 eligible employees as either regular or provisional members.

ERB's pension administration system would need to be modified to recognize the two categories.

ALTERNATIVES

ERB provided the following comment:

HB 116 resurrects the moribund regular/provisional member distinction for a purpose unrelated to administration of the retirement system. Rather, the proposal is directed to the administration of the Retiree Health Care Authority. In order to avoid placing an unnecessary burden on ERB, the ERB proposes deleting any reference to provisional membership under the Educational Retirement Act from HB 116, and replacing it with those specific job category (is) intended by the Sponsor. For instance, if the Sponsor intends that bus drivers be permitted to decline retiree health care coverage, the bill should reference bus drivers rather than provisional members.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

A "provisional member" as defined in the Educational Retirement Act" will not be able to decline to participate in the Retiree Health Care Act.

AHO/al