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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**54th Legislature, 2nd Session, 2020**

**Bill Number** SB254                      **Sponsor** Stewart

**Tracking Number** .217078.1              **Committee Referrals** SEC/SFC

**Short Title** Group Health Insurance Employer Contributions

**Analyst** Simon                                      **Original Date** 2/7/2020  
**Last Updated** 2/19/2020

**BILL SUMMARY**

Synopsis of Bill

Senate Bill 254 (SB254) would increase the minimum amount a school district or charter school covered by the Public Schools Insurance Authority (NMPSIA) would be required to pay for employee health insurance premiums. All school districts and charter schools, apart from Albuquerque Public Schools, are covered by NMPSIA.

**FISCAL IMPACT**

SB254 would increase employer health insurance costs for school districts, charter schools, and other entities covered by NMPSIA. The Public Schools Insurance Authority Act requires employers to pay a minimum percentage of the total health insurance premium for their employers, which varies by salary level. Current minimum contribution requirements, as well as the new minimum requirements proposed by SB254 are included in Table 1.

Analysis from NMPSIA states the estimated cost of increasing minimum employer contributions to the levels proposed by SB254 would be \$3.6 million. SB254 includes a \$3.6 million appropriation to the Public Education Department (PED) for FY21, to make distributions to school districts, charter schools, and participating entities. Analysis from NMPSIA notes insurance contribution increases are typically funded through the state equalization guarantee (SEG) distributions, but under SB254, FY21 funding for the increase to the minimum employer contribution would be directed to PED for distribution to participating employers.

The Senate Finance Committee Amendment to House Appropriations and Finance Committee Substitute for House Bills 2 and 3 includes \$11.6 million to cover the employer’s share of a 6 percent health insurance premium increase. NMPSIA anticipates a 7.4 percent increase for health

**Table 1: Minimum Employer Contribution for NMPSIA Health Insurance Premiums**

Salary Level	Current Law	SB254
Less than \$15,000	75%	80%
\$15,000 to \$19,999	70%	75%
\$20,000 to \$24,999	65%	70%
\$25,000 to \$39,999	60%	70%
\$40,000 or Above	60%	60%

Source: LESC Files

Key:

More than 70%	60% to 70%	60%
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\*A school district or charter school may contribute up to 80 percent of the cost of insurance for an employee, regardless of salary level, but must contribute at least the minimum amount based on salary levels.

insurance premiums for FY21. This appropriation does not consider a potential increase to the employer’s share of the health insurance contribution.

**SUBSTANTIVE ISSUES**

Current minimum employer contributions included in the Public Schools Insurance Authority Act require NMPSIA-covered employers to pay a smaller percentage of group health insurance premiums than is currently paid by Albuquerque Public Schools or by state agencies covered by the General Services Department (GSD).

Section 10-7-4 NMSA 1978 sets out the minimum percentage of health insurance premiums to be covered by state agencies. Prior to FY05, state agencies covered the same percentage of health insurance premiums as public school employers but Laws 2004, Chapter 82 phased in an increase to the minimum percentage for state agencies, which the fiscal impact report for the bill notes was pursuant to a collective bargaining agreement between the American Federation of State, County and Municipal Employees (AFSCME) and the state. That law did not increase the employer contribution for public school employees, but it amended the Public Schools Insurance Authority Act to provide that school districts, charter schools, and participating entities in NMPSIA could contribute up to 80 percent of the cost of insurance if the entity had sufficient revenue to do so. According to NMPSIA, some school districts and charter schools choose to pay a larger percentage of insurance premiums, including Farmington Municipal Schools, Roswell Independent Schools, and Santa Fe Public Schools.

Current health insurance premiums for plans offered by NMPSIA range from \$442 to \$1,835 per month. This results in an employer contribution of between \$331 per month and \$1,376 per month for employees in the lowest income bracket and between \$265 and \$1,101 per month for employees in the highest bracket. Under SB254, employer contributions for employees in the lowest brackets would increase by between \$22 per month and \$92 per month.

Data from NMPSIA in February 2019 indicates employees tend to select more expensive health insurance option, with 84 percent of employees selecting “high option” plans from Blue Cross and Blue Shield of New Mexico or Presbyterian Healthcare Services, with only 15 percent selecting “low option” plans from those providers.

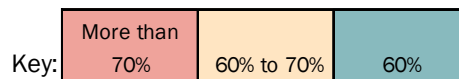
**ADMINISTRATIVE IMPLICATIONS**

**Potential Anti-Donation Clause Issues.** The appropriation included in SB254 is to PED for distribution to school district, charter schools, and participating entities. The Public School Insurance Authority Act includes in the definition of entities eligible to participate “nonprofit

**Table 2: Employer Share of Health Insurance Contributions**

Salary Level	NMPSIA Minimum* Current	NMPSIA Minimum (SB524)	APS	GSD
Less than \$14,999	75%	80%	80%	80%
\$15,000 to \$19,999	70%	75%	80%	80%
\$20,000 to \$24,999	65%	70%	80%	80%
\$25,001 to \$39,499	60%	70%	80%	80%
\$39,500 to \$39,999	60%	70%	70%	80%
\$40,000 to \$44,999	60%	60%	70%	80%
\$45,000 to \$49,999	60%	60%	60%	80%
\$50,000 to \$59,999	60%	60%	60%	70%
\$60,000 or Above	60%	60%	60%	60%

Source: LESC Files



\*A school district or charter school may contribute up to 80 percent of the cost of insurance for an employee, regardless of salary level, but must contribute at least the minimum amount based on salary levels.

organizations dedicated to the improvement of public education and whose membership is composed exclusively of public school employees, public schools or school districts.” Such organizations that 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.

Other “participating entities” include state agencies or higher education institutions, such as:

- 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.

Were SB254 to pass, PED could not make distributions to all participating entities because providing funds to private entities for the cost of providing health insurance to their employees could violate the anti-donation clause of the constitution. Article 9, Section 14 of the Constitution of the State of New Mexico prohibits the state, counties, school districts, and municipalities from providing “any donation to or in aid of any person, association or public or private corporation.” Although these organizations are currently covered by NMPSIA-sponsored health plans, these employers and their employees pay the full cost of their health insurance premiums without state appropriations. School districts, charter schools, state agencies, and other governmental organizations receive appropriations through sources that are not accessed by private entities, such as the SEG distribution. PED and the Department of Finance and Administration would be responsible for ensuring these distributions are only made to participating entities that can legally receive a distributions. Undistributed appropriations would revert to the general fund at the end of FY21.

Analysis from NMPSIA suggests an alternative would be a direct appropriation to NMPSIA to minimize premium rate increases for group health insurance benefits. However, if NMPSIA passed along a lower premium rate increase to employers, including private entities, based on a direct appropriation from the Legislature, this could present anti-donation clause issues.

### **OTHER SIGNIFICANT ISSUES**

Group health insurance benefits are an important component of total compensation for public school educators. While requiring employers to cover a larger share of health insurance premiums will help to increase take home pay for school district and charter school employees, there is little evidence that an increase in the amount of compensation related to health insurance plans is more effective than providing an equivalent increase in employee salary. Anecdotally, some school districts have reported that school districts in other states, particularly in southwest Texas, have effectively recruited new teachers to their school by increasing cash compensation, sometimes by

offering signing bonuses. These school districts often provide relatively meager subsidies for health insurance, and some teachers in these school systems have complained that as health insurance costs rise they face reduced paychecks due to higher insurance costs. In New Mexico, school employees are partially shielded from such increases because school districts and charter schools are required to pay a percentage of the total cost, rather than a set dollar amount.

### **RELATED BILLS**

SB254 conflicts with HB84, Group Health Insurance Employer Contribution, which would increase the minimum percentage employers are required to pay for employee health insurance benefits.

### **SOURCES OF INFORMATION**

- LESC Files
- Public Schools Insurance Authority (NMPSIA)

**JWS/tb/mc/sgs**