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## FISCAL IMPACT REPORT

SPONSOR Varela DATE TYPED 2/14/04 HB 451/aHAFC

SHORT TITLE State Employee Group Insurance Contributions SB \_\_\_\_\_

ANALYST Geisler

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Significant	Recurring	All Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: HB 283, SB 305, SB 334

Duplicates: SB 373

### SOURCES OF INFORMATION

General Services Department  
LFC Files  
Public Schools Insurance Authority

### SUMMARY

#### Synopsis of HAFC Amendments

The House Appropriation and Finance Committee amendments to the bill:

- 1) Set minimum and maximum levels for the state group insurance contributions for state agencies, public schools and institutions of higher education. The maximum contribution levels are dependent on availability of funding. The minimum contribution levels serve to protect the benefit level for employees by establishing a floor.
  - The minimum state contribution levels for group benefits are established by removing the brackets and line through and inserting “at least” before the contribution levels currently in statute. (Amendments 1-5). In the future, no employee would receive a lesser contribution for group benefits from the state than they currently receive in FY 04.
  - The maximum contribution levels are established for state agencies by inserting “up to” before the new higher contribution levels in the bill as proposed in the AFSCME collective bargaining agreement recently negotiated with the state. (Amendments 7 to 9 and 11 to 13). The “up to” contribution levels for FY 05 and FY 06 are the same as in the origi-

nal bill.

- Amendment 15 inserts a new section I which establishes the maximum contribution levels for public schools and higher education of up to eighty percent of the cost of insurance within available revenue.
- 2) Amend the bill to ensure that the contribution percentage is equal for all state employees in a given salary bracket (Amendments 6 and 10).
  - 3) Amends the Group Insurance Contribution language relating to public schools in Section 22-29-10 NMSA 1978 to ensure consistency to the bills amendments to Section 10-7-4 NMSA 1978.

The Senate Amendments to the General Appropriation Act (GAA) provide \$2 million from the general fund in FY 05 towards implementing the new contribution brackets for state employees proposed by AFSCME and contained in HB 451. GSD has stated that it would cost \$6.9 million from the general fund to implement the new brackets for FY 05. There is no specific new funding identified in the GAA as amended for increasing the employer share of groups benefits cost for public school and higher education employees.

Synopsis of Original Bill

This bill changes the salary brackets and state contribution percentages towards group insurance for state executive, legislative & judicial departments in FY 05 and FY 06. There is no appropriation contained in the bill. The brackets for public and higher education remain unchanged.

<b>Current:</b>	<b>State Pays</b>	<b>Employee Pays</b>
Annual Salary less than \$15,000	75%	25%
\$15,000 but less than \$20,000	70%	30%
\$20,000 but less than \$25,000	65%	35%
\$25,000 and over	60%	40%

<b>Proposed in FY05:</b>	<b>State Pays</b>	<b>Employee Pays</b>
Annual Salary less than \$30,000	80%	20%
\$30,000 but less than \$40,000	70%	30%
\$40,000 and over	60%	40%

<b>Proposed in FY06:</b>	<b>State Pays</b>	<b>Employee Pays</b>
Annual Salary less than \$50,000	80%	20%
\$50,000 but less than \$60,000	70%	30%
\$60,000 or more	60%	40%

Significant Issues

This bill appears to make changes in the state group insurance contribution rates to bring them into accord with the American Federation of State, County and Municipal Employees (AFSCME) collective bargaining agreement that was recently negotiated with the state. This would be the first change in the contribution brackets in several years. Salary increases over the years means that the majority of state employees receive only a 60% share from the state for the cost of insurance.

**FISCAL IMPLICATIONS**

Costs increase under HB 451 compared to the current brackets as the employer contribution will increase for all employees that make under \$40 thousand in FY 05 and \$60 thousand in FY 06. Right now the majority of employees make over \$25 thousand and are limited to a 60% contribution from the employer. A number of cabinet agencies are concerned that the increased cost to agencies of changing the employer share has not been budgeted.

The average savings to an employee making \$21 thousand who purchases Blue Cross Blue Shield family coverage would be \$1,400 under the new benefit brackets in FY 05.

<b>FY 05 FISCAL IMPACT OF HB 451 (000's)</b>			
	General Fund	Other Funds	Total
State Employees	6,943.1	5,237.7	12,180.8

<b>ADDITIONAL FY 06 FISCAL IMPACT OF HB 451 (000's)</b>			
	General Fund	Other Funds	Total
State Employees	11,086.1	8,363.1	19,449.2

The above numbers include a 25% cost factor for additional employees that may join the program due to the increased employer share of the premium. Alternatively, as the above numbers do not factor in medical inflation, the 25% factor could address medical cost inflation.

**ADMINISTRATIVE IMPLICATIONS**

Section 2 of the bill provides that any salary adjustment in January 2005 shall not reduce the state contribution even if the salary adjustment of an employee places the employee in a higher salary bracket; provided that the state contribution may be lowered for salary adjustment on or after January 2006.

**DUPLICATION AND CONFLICT**

Duplicates SB 373.

Conflicts with SB 305 and HB 283, which set different contribution rates. SB 334 provides for implementation of the health care brackets as proposed by the AFSCME agreement for state employees, public school employees, and higher education employees.

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

Public employees would continue to see their take home pay reduced by increasing insurance premiums.

**AMENDMENTS**

The effective date is July 1, 2004. PSIA suggests including educational employees (institutions of higher education, the public schools, and charter schools) in Section C on page two. PSIA would request the effective date shall be effective between July 1, 2004 and January 1, 2005, in

conjunction with the effective date of each district's, charter school's, or higher education group insurance premium changes.

**GGG/yr:dm:lg**