

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 FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Romero DATE TYPED 2/9/04 HB _____

SHORT TITLE State Employee Group Insurance Contributions SB 334

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 373

SOURCES OF INFORMATION

General Services Department
LFC Files
Public Schools Insurance Authority

SUMMARY

Synopsis of Bill

This bill changes the salary brackets and state contribution percentages towards group insurance for state, public schools, and higher education employees in FY 05 and FY 06. There is no appropriation contained in the bill.

Current:	State Pays	Employee Pays
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%

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

Proposed in FY06:	State Pays	Employee Pays
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, teachers, and higher education employees receive only a 60% share from the state for the cost of insurance.

FISCAL IMPLICATIONS

Costs increase under SB 334 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.

PSIA notes that average savings to an employee making \$21 thousand who purchases Blue Cross Blue Shield family coverage would be \$1,600 under the new benefit brackets in FY 05.

FY 05 FISCAL IMPACT OF SB 334 (000's)			
	General Fund	Other Funds	Total
State Employees	6,943.1	5,237.7	12,180.8
Public Schools	21,207.2	1,116.2	22,323.4
Higher Education	1,215.4	2,257.2	3,472.6
Total	29,365.7	8,611.1	37,976.8

FY 06 FISCAL IMPACT OF SB 334 (000's)			
	General Fund	Other Funds	Total
State Employees	11,086.1	8,363.1	19,449.2
Public Schools	19,186.2	1,009.8	20,196.0
Higher Education	1,263.4	2,346.3	3,609.7
Total	31,535.7	11,719.2	43,254.9

Per GSD, the above numbers for state employees include a 25% “migration” cost factor for additional state employees that may join the program due to the increased employer share of the premium. Alternatively, as the above numbers for state employees do not factor in medical inflation, the 25% factor could address medical cost inflation. The cost estimates for public schools and higher education do not include a migration factor.

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.

CONFLICT

Conflicts with SB 305 and HB 283, which set different contribution rates. SB 373 provides for implementation of the health care brackets as proposed by the AFSCME agreement for state employees only.

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 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:njw