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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/15

SPONSOR Zimmerman LAST UPDATED 2/20/15 HB 220 aHGEIC

SHORT TITLE National Guard Life Insurance SB \_\_\_\_\_

ANALYST Chenier

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$245.8	\$245.8	\$491.6	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Military Affairs (DMA)

### SUMMARY

#### Synopsis of HGEIC Amendment

The House Government, Elections, and Indian Affairs Committee amendment to HB 220 would remove language specifying amounts National Guard members are eligible for and replace it with “the maximum amount available”. The amendment would also strike all occurrences of “of New Mexico” and would declare the bill an emergency taking effect immediately after signing.

#### Synopsis of Original Bill

House Bill 220 recognizes that National Guard members are eligible for life insurance policies for up to \$400 thousand through the federal service members’ group life insurance program (SGLI). The bill also changes all references of “New Mexico national guard” (NMNG) to “national guard of New Mexico”.

### FISCAL IMPLICATIONS

Currently, as a benefit to NMNG members the state reimburses for SGLI benefits. Without the change in this bill NMNG members would have to pay the increased SGLI insurance premiums for insurance coverage at the higher rate of \$400 thousand, previously set at \$250 thousand.

Premiums increased from \$26 per month to \$28 per month, as per the following calculations:

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- a) New rate effective July 1, 2014 is .07 per \$1,000 of insurance
- b) Insurance amount is \$400 thousand
- c)  $.07 \times 400 = \$28.00$  per month

Based on DMA's last payment there were 3,762 individuals eligible for the SGLI reimbursement.

For FY16 the department budgeted \$1,125 thousand for SGLI reimbursement. The new SGLI rate (as of July 01, 2014) would increase the total cost to \$1,264 thousand with a difference of \$139 thousand for the same number of individuals.

Basing this calculation on the total number of authorized positions (4,080 reported as of 6/30/14) the SGLI budget needed would be \$1,370.8 thousand or \$245.8 thousand in additional budget.

### **SIGNIFICANT ISSUES**

DMA provided the following:

As amended, HB 220 would not change Fiscal implications for 2015 and 2016, however it is expected to result in increased General Fund budget request starting in budget year 2017 to cover the increased premiums. The fund was created originally in 2005 through legislation to reimburse NMNG members for the cost of Federal Service Member Life Insurance premiums which at the time were a maximum of \$250 thousand. The bill would update the language to reflect increase in maximum SGLI to \$400 thousand. This amendment would remove any dollar value cap and replace it with the term "maximum amount allowable". The current balance in this fund is \$562.7 thousand and should be sufficient to cover increased premiums between enactment of this bill, and the submittal of DMA's 2017 budget request.

Also, NMNG Service Members would consider the increased insurance premium payments as a disincentive to National Guard membership, that could adversely affect recruiting and retention.

EC/je/bb