LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1nd Session, 2023

Bill Number HB36 **Sponsor** Lara

Tracking Number .221662.1 **Committee Referrals** HEC/HAFC

Short Title School Group Insurance Contributions

Original Date 1/30/2023

Analyst Hoxie **Last Updated**

BILL SUMMARY

Synopsis of Bill

House Bill 36 (HB36) would increase the required employer contribution for group health insurance benefits for school districts, charter schools, and other entities covered by the Public School Insurance Authority (NMPSIA). Employers would be required to cover 80 percent of health insurance premiums for all employees. The bill includes a $70.2 million appropriation to the Public Education Department (PED).

The bill has an effective date of July 1, 2023.

FISCAL IMPACT

This bill appropriates $70.2 million from the general fund to PED for distribution to school districts, charter schools, and other entities covered by NMPSIA for expenditure in FY24.

NMPSIA estimated the cost of the bill to be $69.9 million for public schools, $5.8 million for higher education, and $546.8 thousand for other participating entities covered under the public school authority. Notably, this projected amount does not consider any members that may enroll under the NMSPIA plan with reduced premiums.

The bill would increase school district and charter school costs for employee health insurance but would likely increase take-home pay for many public school employees. The bill would apply to all school districts, apart from Albuquerque Public Schools (APS), and all charter schools. Currently, school districts and charter schools covered by NMPSIA are required to pay for a share of the total health insurance premium that ranges from 60 to 80 percent of the total health insurance premium, although some school districts and charter schools opt into a provision allowing the employer to cover 80 percent of

NMPSIA Contributions

Salary Range	Current Share	HB36
Less than $15,000	80%	80%
$15,000 to $19,999	70%	
$20,000 to $24,999	65%	
$25,000 or more	60%	

Source: LESC

premiums. Statutorily required employer contributions vary based on the employee's salary. Lower-paid employees receive a higher subsidy than higher paid employees. HB36 would adopt a flat rate of 80 percent for all employees.

Notably, HB36 does not include APS, and the cost estimate for HB36 does not include the costs of a similar increase in the employer share of health insurance premiums for employees for APS. HB36 allocates the money to PED, not through the public school funding formula. Since APS does not participate in the public school insurance authority it is not included in the calculation. Assuming APS would require the same percentage amount for the insurance increase as the percentage of total program cost allocated through the public school funding formula, to account for a similar increase in the employer share of health insurance premium for employees in APS would require an additional $16.2 million.

SUBSTANTIVE ISSUES

The Public School Insurance Authority Act was created to assist school districts statewide with procuring affordable health insurance benefits for employees, as well as property and liability insurance, at a time when many school district struggled to find insurance coverage. The act's definition of school district excludes any school district with a student enrollment of more than 60 thousand; consequently, APS is not bound by its provisions and maintains a separate, self-insured employee benefits program. All other school districts are covered by NMPSIA and subject to the provisions of the act, as are all charter schools, including state- and locally chartered charter schools in Albuquerque.

State Agency Share of Health Insurance Premiums

Salary Range	Employer Share
Less than $50,000	80%
$50,000 to $59,999	70%
$60,000 or more	60%

Source: LESC

NMSPIA Share of Health Insurance Premiums

Salary Range	Employer Share
Less than $15,000	80%
$15,000 to $19,999	70%
$20,000 to $24,999	65%
$25,000 or more	60%

Source: LESC

APS Share of Health Insurance Premiums

Salary Range	Employer Share
Less than $42,500	80%
$42,500 to $54,999	70%
$55,000 or more	60%

Source: LESC

Under current law, there is significant inequity between public school employees and many other public employees in employer funding of health insurance benefits. Section 10-7-4 NMSA 1978 requires state agencies, boards, and commissions to pay more toward employee benefits than is required under the Public Schools Insurance Authority Act. In addition, APS currently covers 80 percent of the health insurance premiums for employees earning less than $42,500, more than required by current law for NMPSIA-covered employees.

Total health insurance premiums are also higher for NMPSIA. For example, a Blue Cross and Blue Shield preferred provider organization (PPO) plan with single coverage for an employee making $60 thousand annually has a total premium of $2,763.12 per year for APS employees, $2,768.64 per month for a state employee, and $4,129.92 for NMPSIA-covered employees. While coverage levels of the plans differ—APS plans have higher deductibles and out-of-pocket costs—NMPSIA also faces higher cost of healthcare because more of its members live in rural areas, where medical costs are higher.

ADMINISTRATIVE IMPLICATIONS

Impact on Equalization. Generally, the state distributes funding to cover employee benefits costs through the state equalization guarantee distribution, a student-centered funding formula based primarily on enrollment but with considerations for other factors that increase school costs, such as the number of students with special needs or enrollment in small, isolated schools and school districts. However, HB36 would appropriate funds to PED, bypassing the funding formula and allowing PED to allocate additional funding to certain school districts and charter schools. The language of the appropriation in HB36 limits the distribution of that appropriation to "pay for increased employer contributions," potentially making some school districts and charter schools that currently pay more than the statutory minimum ineligible for additional funding or eligible for less funding than if the school district had only paid the statutory minimum. Additionally, HB36 does not assume any change in the employer share of health insurance benefits for APS, which presumably would not be eligible for funding from this appropriation.

Providing funding to school districts and charter schools outside of the funding formula has the potential to disequalize operational funding for school districts and charter schools, particularly if some school districts and charter schools would not be eligible for the additional funding. Because the costs to cover 80 percent of employee health insurance would be recurring, the Legislature would need to make an appropriation outside the funding formula each year, or school districts required to pay the higher rates would need to make up the costs from other funding sources, most likely the state equalization guarantee distribution.

OTHER SIGNIFICANT ISSUES

Educator Compensation. 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 compensation related to health insurance plans is more effective than providing an equivalent increase in employee salary.

Anecdotally, some school districts have reported 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. Increasing benefits-related compensation could lead some employees to believe school districts that skew compensation more toward salary and less toward benefits offer more attractive employment terms, even if the costs of total compensation are the same.

RELATED BILLS

HB36 conflicts with House Bill 102 (HB102). That bill would require employers to cover 100 percent of the first $10 thousand in insurance cost and cover 60 percent of additional insurance costs after $10 thousand for all public school employees.

SOURCES OF INFORMATION

- LESC Files
- Public School Insurance Authority
- New Mexico Tech

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