

LFC Requester:	Eric Chenier
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/21/2025 *Check all that apply:*
Bill Number: HB575 Original Correction
 Amendment Substitute

Sponsor: Linda Serrato **Agency Name and Code:** New Mexico Public Schools Insurance Authority 34200
Short Title: State Employee Health Benefit Contributions **Number:** _____
Person Writing: Kaylynn Roybal
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	64,801.7	*	64,801.7	*	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Existing Provisions which are proposed to be amended:

Section 10-7-4 NMSA 1978 established a tiered contribution structure for state employee group health insurance premiums. The state contributed between 60% and 80% of insurance costs, depending on an employee's salary. For group insurance contributions of schools districts and charter schools:

- Employees with an annual salary less than \$50,000, the state contributed up to 80% of the insurance cost.
- Employees with an annual salary between \$50,000 and \$59,999, the state contributed up to 70% of the insurance cost.
- Employees with an annual salary of \$60,000 or more, the state contributed up to 60% of the insurance cost.

New Provisions:

HB575 replaces the previous salary-based contribution system, requiring the group insurance contributions to be 80% of health insurance premiums for employees of the state or any of its executive, judicial or legislative departments, including agencies, boards or commissions, schools districts and charter schools regardless of salary level.

The bill eliminates existing provisions laid out in NMSA 10-7-4 Section F-L that require:

1. The employer to contribute 100% of the premium for basic life coverage
2. The employee to contribute 100% of disability coverage,
3. The employer to contribute 100% for and employee who is placed on approved workers' compensation leave.

The legislation also re-establishes the state's ability to make contributions for legislators.

Language related to the plan's responsibility to include cost containment measures to control healthcare expenses was removed.

NMSA 10-7-4 Section L, which outlined the school district and charter schools' ability to contribute up to 100% of the cost of insurance, was removed.

The effective date is July 1, 2025.

FISCAL IMPLICATIONS

The New Mexico Public School Insurance Authority currently follows the tiers outlined in NMSA 22-29-10. At least eighty percent of the cost of the insurance of an employee whose

annual salary is less than fifty thousand dollars (\$50,000); at least seventy percent of the cost of the insurance of an employee whose annual salary is fifty thousand dollars (\$50,000) or more but less than sixty thousand dollars (\$60,000); and at least sixty percent of the cost of the insurance of an employee whose annual salary is sixty thousand dollars (\$60,000) or more; with an option for members to contribute up to 100% of the premium.

NMPSIA breaks down membership into three categories: 1) School Districts and Charter Schools, which pay for premiums through the State Equalization Guarantee (SEG); 2) higher educational institutions, which pay for premiums through Instruction and General Funding (I&G); and 3) Other Educational Entities, which pay for premiums from other revenues.

The table below displays the cost of bringing all NMPSIA members to an 80% contribution percentage. The first column, labeled Tier Difference Per Statute, is the amount needed if all institutions followed the statutory tier contributions. The second column, labeled Tier Difference Per Current Contributions, is the amount needed with members' current contributions.

SB376 Contributions	Tier Difference Per Statute	Tier Difference Per Current Contributions	Difference
School Districts and Charter Schools	\$ 59,317,963	\$ 36,683,759	\$ (22,634,204)
Higher Educational Institutions	\$ 5,483,748	\$ 2,038,695	\$ (3,445,053)
Total Educational Contributions	\$ 64,801,711	\$ 38,722,454	\$ (26,079,257)
Other Educational Entities	\$ 753,175	\$ 387,448	\$ (365,727)
Total	\$ 65,554,886	\$ 39,109,902	\$ (26,444,984)

- * The funding for FY26 would allow all School Districts, Charter Schools, and Higher Educational Entities to contribute 80% of insurance premiums. After the amount is funded for FY26 it would be recurring with yearly premium increases needed that are budgeted every fiscal year.

The challenge for School Districts, Charter Schools, and Higher Educational Entities is making contributions to the members that only need the funding. Omitting members who have found a way to afford to pay for a higher insurance premium percentage can also be considered unfair and can use the extra funds for other expenses.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Potentially conflicts with SB376.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES/AMENDMENTS

PSIA request changes be made to 10-7-4 Section C. 1-3 as outlined below so the section will align with 22-29-10 Section A. 1-3 as amended below to illuminate any inconsistencies:

“The group insurance contributions of school districts and charter schools and shall be made as follows:

~~(1) at least eighty percent of the cost of the insurance of an employee whose annual salary is less than fifty thousand dollars (\$50,000);~~

~~(2) at least seventy percent of the cost of the insurance of an employee whose annual salary is fifty thousand dollars (\$50,000) or more but less than sixty thousand dollars (\$60,000); and~~

~~(3) at least sixty percent of the cost of the insurance of an employee whose annual salary is sixty thousand dollars (\$60,000) or more.~~ **eighty percent of the cost of insurance.”**

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL