

LFC Requester:	Joseph Simon
-----------------------	---------------------

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}

Bill Number: 2.21.25 *Check all that apply:*
SB476 Original Correction
 Amendment Substitute

Sponsor: Jay C. Block **Agency Name and Code** Retiree Health Care Authority
Short Title: First Responder Retiree Health Premiums **Number:** 34300
Person Writing Mark Hayden
Phone: 505-377-9012 **Email** mark.hayden@rhca.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$7,500	Non-recurring	General

(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	\$12,500 - \$17,500	\$21,500 - \$26,875	\$34,000 - \$44,375	Recurring	RHCA Benefits Fund

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The Bill pertains to the New Mexico Retiree Health Care Authority, proposing an exemption for first responders from paying premiums or fees to participate in the Retiree Health Care Act. This Bill would apply to first responders with at least twenty years of service as a first responder who would be exempt from paying any premium or fee to participate in the Retiree Health Care Act. “First responders” include individuals certified or licensed by law as law enforcement officers, firefighters (including volunteer firefighters), or emergency medical technicians. The bill allocates a one-time appropriation for fiscal year 2026 of \$7,500,000 from the general fund, with any unused funds reverting back to the general fund.

FISCAL IMPLICATIONS

The fiscal impact of the legislation on the New Mexico Retiree Health Care Authority (NMRHCA) is estimated for the fiscal year 2026 and is projected at about \$20 to \$25 million. Initially, these costs would be partially covered for the first year by the \$7.5 million appropriation from the general fund, leaving a significant funding gap. The higher cost estimate stems from the lack of details in the bill regarding whether exemptions apply solely to new retirees or also include current retirees and dependents. If applied to current first responder retirees, future retirees, and dependents in the program for the fiscal year 2026, this would be for a much larger membership group requiring a significantly higher appropriation. More time would be needed to identify first responders and dependents to determine the specific number with the actuaries. In addition, the change in coverage for first responders looks to be indefinite. Yet, the Bill only provides an appropriation for one fiscal year while the long-term costs would be extremely high beyond the initial appropriation. The medical trend is estimated at 7.5% for FY27 and, for a more extended period, 6.5%. This would mean an appropriation from the general fund would need to be made every year for the amount incurred with a growing trend to accommodate the costs of paying for the first responder portion of the premiums.

It is also difficult to determine the cost of changing the eligibility system for program updates at this time, but the estimation is between \$20,000 and \$40,000 for IT programming services.

The Bill discusses that for a surplus, it would be reverted back to the general fund. If the appropriation does not cover the full cost, it does not stipulate if any additional money would be appropriated to make the program and other contributing members whole. During a shortfall or no appropriation, additional balances would be imposed on other participating members who are not first responders, resulting in higher premiums or plan design changes to cover these balances.

SIGNIFICANT ISSUES

The changes in legislation do not stipulate what would happen to first responders with less than twenty years of service. As written, it seems that they would not be eligible for the full subsidy and would be required to pay their normal share of the premiums, calculated based on their years of service.

An appropriation would need to be made every year as an obligation of the state to cover these extra costs. Without continued funding, other members would be forced to cover the costs, or the future viability of the program for all future members would be affected. It is also noted in the statute that participating employers, employees, and retirees are responsible for the financial viability of the program, but with a revision that first responders with 20 years would be excluded, and the bill does not say whose responsibility it would be moving forward if not this

group.

The shift in costs would also increase the program's overall liability, requiring entities to report additional liabilities on their financial statements. The overall increase in Other Post Employment Benefits (OPEB) would be estimated for a 10-year window of over \$450 million.

PERFORMANCE IMPLICATIONS

NMRHCA has taken many actions to ensure the program's future viability and to lower liabilities like increased employer and employee contributions, increased premiums, and implementation of a rule change for non-enhanced members to work 25 years and a minimum age of 55 to receive the maximum subsidy. This rule change does not include enhanced members such as police and fire, who are able to retire at any age and only 20 years of service for a full subsidy. This would affect the solvency and the Governmental Accounting Standards Board (GASB) 74 and 75 results which would now have much more liability to recognize.

ADMINISTRATIVE IMPLICATIONS

New Mexico Retiree Health Care Authority would need to make a number of changes to our eligibility system and future interfacing system to identify all first responders with twenty years of service and apply the appropriation to these individuals' portion of the costs. The time frame to do this is extremely aggressive, and it would take research and additional outside programming support to meet this turnaround and cost.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

The agency would require changes to the IT software to manage retiree eligibility and payments.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

This would depend on the legislature and state funding to determine any alternatives to covering the amount paid by first responders and the financial impact on the state and program.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.