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FISCAL IMPACT REPORT

SPONSOR Salazar/Chandler/
Armstrong, G./
Tallman/Padilla ORIGINAL DATE 1/27/2020
 LAST UPDATED 2/15/2020 HB 44/aHSEIC
 SHORT TITLE New Mexico Work and Save Act SB _____
 ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Companion to House Bill 164.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)
State Treasurer's Office (STO)

SUMMARY

Synopsis of HSEIC Amendment

The House State Government, Elections and Indian Affairs Committee amendment to House Bill 44 executes the changes suggested by the Attorney General's Office in the technical issues section of this FIR. The amendment implements all but the second suggestion of the AGO to clarify language.

Synopsis of Original Bill

House Bill 44 creates the "New Mexico Work and Save Act," allowing for a voluntary savings program for private sector and nonprofit employees, as well as for self-employed individuals, through a retirement savings plan purchased through a web-based marketplace established and maintained by the "New Mexico Work and Save Board."

Duties of the nine-member board include:

1. Oversight of the fund to ensure monies are not used for purposes other than those specified in the Act;

2. Developing and implementing an outreach plan to educate workers about the New Mexico retirement marketplace;
3. Creating an investment policy to provide multiple retirement product offerings that minimize participant fees and total expense;
4. Hiring an executive director;

Duties of the executive director include:

1. Hiring, firing, and recommending compensation for staff;
2. Contracting for legal, fiscal, investment and other service providers as necessary;
3. Develop and disseminate educational information to improve financial literacy.

The New Mexico retirement plan market place is created as a web-based which connects employers and individuals with retirement savings plans. HB44 requires that participation in the plans be voluntary. HB44 allows the board to enter into contracts, agreements, or memorandums of understanding with agencies of New Mexico or those of any other state to operate or manage any part of the New Mexico work and save market place.

The bill requires the board to set an administrative fee to be paid by participating financial services firms that is sufficient to cover the actual cost of maintaining the New Mexico retirement plan market place. The board is required to ensure New Mexico work and save is financially self-sustaining no later than five years after the date that it is fully implemented.

HB44 requires New Mexico work and save be implemented no later than January 1, 2022.

FISCAL IMPLICATIONS

The State Treasurer’s Office (STO) stated the agency could absorb the costs of implementation of the Act in the current operating budget. HB44 directs the board to ensure that the Retirement Savings Plan Marketplace is implemented no later than July 1, 2021, and is self-sustaining via fees from administrative fees charged to participating financial service firms; and that the New Mexico Work and Save program is implemented so that covered employees may begin contributing no later than January 1, 2022, and is self-sustaining “no later than five years after the date that it is fully implemented.” STO believes the operating costs in the first years of implementation would be minimal and the agency could meet the requirements of the Act without additional appropriations. The costs of implementation of the New Mexico Work and Save Act would increase over time, but STO believes these costs will be covered by administrative fees allowed by the Act.

In a prior analysis, STO estimated the recurring cost of this legislation to be approximately \$400 thousand per year to pay salaries and benefits of four employees: an executive director, administrative assistant, marketing director, and finance director. The cost estimate does not include operating costs or costs of developing an online retirement savings market place and it is presumed that New Mexico would avoid this expense by partnering with another state that already has a work and save program to expand access to that service to New Mexico residents.

SIGNIFICANT ISSUES

There is no appropriation attached to HB44. Should this legislation be enacted without a matching appropriation, it would increase costs to STO. Funding for the work and save program

House Bill 44/aHSEIC – Page 3

is not included in STO's base budget for FY21; however, according to STO, the agency could absorb costs associated with implementation of the Act.

Ten states have already signed various work and save programs into law, and HB44 would allow New Mexico to partner with any other state to implement the work and save program.

COMPANIONSHIP

House Bill 164 contains an appropriation of \$750 thousand for expenditure in fiscal years 2021 through 2023 to support the work and save board. The appropriation in HB164 is recurring and would provide sufficient funding to pay for board operations for one year. Should HB44 be enacted without enactment of HB164, the work and save board would be unfunded and the obligation to pay costs associated with the Work and Save Act would fall to STO.

TECHNICAL ISSUES

The Attorney General's Office suggests the following corrections to HB44:

Page 2; line 23: E. "financial institution" means a duly licensed bank, savings

Page 3, line 14: retirement accounts through New Mexico work and save but ~~that~~ who

Page 4, line 4: insurance annuitization costs and other related miscellaneous costs.

Page 7, line 24: purpose other than ~~those one~~ specified in the New Mexico Work and

Page 10, line 3: accordance with applicable state and federal laws; and

Page 10, line 7: guidance ~~for~~ to program participants.

Page 12, line 11-12: other than as a program participants

Page 12, line 16: become ~~an~~ endorser~~s~~, surety~~ties~~ or obligor~~s~~ on

Page 13; line 3: the best interests of the program participants and for the exclusive

Page 16; lines 6-9: allow covered employees ~~in New Mexico~~ to voluntarily contribute to a Roth individual retirement account through automatic payroll deductions, if allowed ~~pursuant to~~ under federal law

Page 17; line 18: proprietary, whether legal or equitable, interest in those contributions or earnings

OTHER SUBSTANTIVE ISSUES

STO notes:

Senate Joint Memorial 12 (2017 Legislative Session) convened the Retirement Income Security Task Force. SJM 12 cited the following statistics about New Mexico workers:

House Bill 44/aHSEIC – Page 4

- 62 percent of private-sector workers age 18 to 64 work for businesses that do not offer a retirement plan.
- More than 50 percent of all older New Mexicans rely on Social Security income for more than 50 percent of their family income.
- Approximately 33 percent of those aged 65 or older rely on Social Security income for more than 90 percent of their family income.

Social Security benefits average only about \$1,160 per month in New Mexico, so many workers rely on employer-sponsored retirement plans to supplement their income as they

CJ/sb