F I S C A L   I M P A C T   R E P O R T

SPONSOR	Ferrary/Thomson/ Trujillo, L	**ORIGINAL DATE** **LAST UPDATED**	2/13/17 3/6/17	**HB**	239/aHLEDC
SHORT TITLE	State Employee Loan Repayment			**SB**	
				ANALYST	Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$50.0-$100.0	$50.0-$100.0	$150.0-$300.0	Recurring	General Fund, Other State Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

House Bill 239 duplicates Senate Bill 166, State Employee Loan Repayments.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration (DFA)
State Personnel Office (SPO)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of HLEDC Amendments

The House Labor and Economic Development Committee amendments to House Bill 239 add a provision that loans shall not be made to a person pursuant to the bill's provisions until all loans made to that person pursuant to the bill have been repaid in full.

Synopsis of Bill

House Bill 239 (HB239) would allow employees to have a portion of their payroll sent directly to a qualified lender to service an outstanding qualified loan. The Department of Finance and Administration would provide circumstances under which state employees could elect to have their wages sent directly to the lender within certain limits contained in the bill. A qualified lender would include any loan company that is licensed to, or exempted from, the New Mexico Small Loan Act.

FISCAL IMPLICATIONS

The bill does not include an appropriation.

The Department of Finance and Administration (DFA) indicates the provisions of the bill would require additional services be provided by the Central Payroll Bureau of the Department of Finance and Administration as well as additional services by agencies' human resources (HR) staff. The State Personnel Office (SPO) is currently in the process of consolidating all executive agencies' mission-critical HR staff under SPO. While DFA would be tasked with development of the policies and procedures related to the provisions of the bill, implementation would occur at the agency or SPO level, as employee payroll configuration and set-up activity is currently managed at the agency level.

SIGNIFICANT ISSUES

The Department of Finance and Administration (DFA) writes the Central Payroll Bureau within DFA is responsible for the execution, monitoring and completion of biweekly payroll processing for over 20,000 state employees. The bill proposes that DFA would need to confirm qualified lender status and configure payroll deductions, but payroll is set-up at the agency or State Personnel Office (SPO) level where incorrect or inconsistent configuration of deductions could result in a backlog of corrections. It is unclear if DFA or the agencies and SPO have the staffing resources necessary to implement the provisions of the bill.

Compliance with the repayment amount limitation contained in the statute would occur during configuration. At that time, actual scheduled repayments would be entered into the system as a dollar amount per pay period. Over time, the amount of the loan payment as a percentage of gross pay could vary and possibly exceed statute, and violations of the gross pay provision would only be known after the fact.

There is the potential of insufficient net pay to service the loan related to either unpaid reported time or senior claim employee deductions. For example, currently, there are over 400 active Human Services Department wage garnishments intercepting a cumulative total of $75,000 per pay period, which would take priority over loan repayment. Additionally, there are currently over 200 active third-party wage garnishments intercepting over a $100,000 per month.

ADMINISTRATIVE IMPLICATIONS

The State Personnel Office (SPO) notes the bill does not provide for circumstances in which the repayment of a loan is not available because an employeee is not receiving their regular salary or wages (e.g. leave without pay, Family Medical Leave Act leave) and their loan repayment amount may exceed the amount available from their salary.

TECHNICAL ISSUES

The House Labor and Economic Development Committee amendments to House Bill 239 add a provision that "loans" shall not be made to a person pursuant to the bill's provisions until all "loans" made to that person pursuant to the bill have been repaid in full. However, the bill does not address when loans can or cannot be made to state employees as referenced in the HLEDC amendments, but addresses when employees may have a portion of their payroll sent directly by DFA to a qualified lender to service an outstanding qualified loan.

ALTERNATIVES

The Department of Finance and Administration (DFA) writes currently 99 percent of state employees have their net pay directly deposited into their bank account. Commercial banks offer automatic loan payment functionality for customers to schedule monthly loan payments to be automatically withdrawn each month from their checking or savings account.

RAE/sb/jle/al