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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/09
LAST UPDATED 03/10/09 **HB** 601

SPONSOR Sandoval

SHORT TITLE PERA Exclusion Of Senior Employment Trainees **SB** _____

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
ALTSD Senior Employment Programs		NFI*	NFI*	NFI*	Recurring	PERA

(Parenthesis () Indicate Expenditure Decreases)

*Because these contributions are not currently being paid, this bill would only legitimize that practice.

Relates to HJM 45, HB 236, HB 246, HB 271 and companion HB 355, HB 351 and duplicate SB 366, HB 353, HB 573, HB 616, HB 631, HB 648, HB 683, HB 684, HB 731, HB 765, HB 798, SB 231, SB 261, SB 428, and SB 499

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)
 Department of Finance and administration (DFA)
 Aging and Long-Term Services Department (ALTSD)

SUMMARY

Synopsis of Bill

House Bill 601 provides for an official exemption from PERA membership for senior citizens who participate in federal- or state-funded training programs administered by the New Mexico Aging and Long-Term Services Department.

FISCAL IMPLICATIONS

Traditionally, employer and employee contributions are not paid to PERA for employees in these programs. However, PERA recently noted that the current law did not specifically provide for an exemption from its membership for senior trainee participants who work more than 19.5 hours per week. To comply with current statute, the host organizations would need to start paying the employer contribution of 16.54 percent for General Plan 3. Based on 90 participants earning an average gross earnings of \$250 per week, the annual employer contributions would amount to about \$107.2 thousand. ALTSD suggests that this requirement would be a significant impact on to the general fund and to local governments that serve as “host agencies” because federal law prohibits using Senior Employee funds for retirement programs or pensions. Either additional funding would need to be identified or the programs would need to serve less participants to fund the contribution.

ALTSD also maintains that the requirement for the trainees to pay the 7.42 percent employee contribution would be a burden because they are already low-income (125 percent of federal poverty level) and 55 years of age or older.

This bill would have no fiscal impact to PERA because the fund is not currently receiving contributions from these programs and the bill would only legitimize that practice.

SIGNIFICANT ISSUES

The Senior Employment Programs, initially funded by the US Department of Labor under the authorization of Title V of the federal Older Americans Act and now supplemented with state general funds, provide part-time, minimum-wage, on-the-job training to low-income individuals 55 years of age or older who want to be trained to reenter the job market.

Both PERA and ALTSD claim that PERA membership would be a financial burden to the entities who host the programs and to the low-income senior citizen trainee participants. PERA notes that senior citizens in these programs most likely would not earn enough service credit to retire from PERA and would therefore terminate employment after a few years and request a refund. Processing additional refunds would be a minimal impact to PERA. ALTSD estimates a reduction of almost 20 percent in funding for enabling participants to retrain for gainful employment if this bill does not pass.

Without HB 601, PERA membership contributions will need to be made. While employee contributions are subject to refund, the employer contribution is not and would accrue as a benefit to the fund. It is a policy decision to weigh the contributions to the PERA fund with the burden the contributions would place on both host agencies and trainees.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 601 relates to the following bills:

HJM 45 – PUBLIC EMPLOYEE & EDUCATION SOLVENCY PLANS STUDY
HB 236 – PERA SERVICE CREDIT PURCHASE (Expands service credit purchase)
HB 246 – PERA RETURN TO WORK FOR CERTAIN EMPLOYEES
HB 271/HB 355 – REOPEN MUNICIPAL EMPLOYEE RETIREMENT PLAN 4

HB 351/SB 366 – RETIREE HEALTH CARE FUND CONTRIBUTIONS
HB 616 – PUBLIC RETIREES RETURNING TO WORK
HB 631 – EDUCATIONAL RETIREMENT ELIGIBILITY
HB 648 – JUDICIAL RETIREMENT FROM GENERAL FUND
HB 683 – RETIRED PUBLIC EMPLOYEE RETURNING AS SHERIFF
HB 684 – CONGRESSIONAL EMPLOYEE NM SERVICE CREDIT
HB 731 – SESSION EMPLOYEE PERA CREDIT PURCHASES
HB 765 – PUBLIC EMPLOYEES RETURNING TO WORK
HB 798 – NEW PERA MEMBER ELIGIBILITY
SB 231 – PERA ELIGIBILITY FOR MUTUAL DOMESTICS
SB 428 – RETIREE HEALTH DEFINITIONS & CONTRIBUTIONS
SB 499 – MOTOR TRANSPORTATION OFFICER RETIREMENT

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Either additional funding will be required to pay the employer contribution or the programs will need to be cut. Employees will be paying the 7.42 percent employee contribution on an average weekly salary of \$150, or about \$45 monthly.

MA/svb