NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

ERB Cost-of Living Adjustment Legislation

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ERB COLA History

Since 2013, annual cost-of-living adjustments for the Educational Retirement Board have been reduced.

There are differences in the COLA based on membership tier, disability status and benefit amount.

Generally, the ERB COLA is based on a percent of the change in the consumer price index.

Current law does not allow for a COLA of above 4 percent, even after the fund is at 100 percent funded.

Under current law, ERB retirees are eligible for a COLA on July 1 after the year they turn 65 (Tier 1 and Tier 2) or 67 (Tier 3 and Tier 4) or on July 1 after the year the member retires, whichever is later.

ERB COLA History

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Disability retirees and retirees with 25 years of service and a low benefit receive higher COLAs.

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ERB COLA – Full COLA Calculation

Current law provides that if the funded status of ERB is 100 percent or greater, members receive a cost-of-living adjustment based on the change in the consumer price index.

If the change in CPI is less than 2 percent: The full increase in CPI.

- Example: Change in CPI is 1.9 percent, COLA is 1.9 percent.

If the change in CPI is greater than 2 percent: 50 percent of the change in CPI, with a minimum of 2 percent and a maximum of 4 percent.

- Example: Change in CPI is 2.5 percent (50% = 1.25 percent), COLA is 2 percent (the minimum).
- Example: Change in CPI is 8.5 percent (50% = 4.25 percent), COLA is 4 percent (the maximum).

ERB COLA – Less than 90% Funded

Current law provides that if the funded status of ERB is less than 90 percent the COLA calculation is reduced for all non-disability retirees.

If a member has 25 years of service credit but receives a benefit below the median, they are eligible for 90 percent of what they would receive if the funded status were 100 percent.

- If change in CPI is over 2 percent, effective floor of 1.8 percent and celling of 3.6 percent.

For all other retirees, they are eligible for 80 percent of what they would receive if the funded status were 100 percent.

- If change in CPI is over 2 percent, effective floor of 1.6 percent and celling of 3.2 percent.

Prior COLA Legislation

In the last two legislative sessions 2 bills dealing with ERB COLAs have been introduced.

Both bills provided for a temporary, non-compounding payments to ERB members.

- Temporary, non-compounding payments like these are sometimes called a "13th Check."

Budget Outlook

FY25-FY30 General Fund Recurring Appropriation Outlook with Liabilities

(in millions)

	Operating Budget FY27	Outlook FY28	Outlook FY29	Outlook FY30
December Consensus	$ 13,913.2	$ 14,454.3	$ 14,999.6	$ 15,612.3
Recurring Tracking Estimate	$ (166.2)	$ (166.2)	$ (166.2)	$ (166.2)
Health Care Affordability Fund Distributions		$ (91.5)	$ (162.2)	$ (175.2)
Immigrant Safety Act	$ (0.6)	$ (0.5)	$ (0.5)	$ (0.5)
PRC Support Agency		$ (19.7)	$ (19.9)	$ (20.1)
Oil and Gas Conservation Tax Act Changes		$ (46.5)	$ (76.5)	$ (108.7)
Tax Changes		$ (0.2)	$ (0.2)	$ (0.2)
Corporate Income Tax Changes (Tax Package)		$ 50.7	$ 60.4	$ 59.5
Subtotal - Other Revenue Changes	$ (166.8)	$ (273.9)	$ (365.1)	$ (411.4)
Total Recurring Revenue	**$ 13,746.4**	**$ 14,180.4**	**$ 14,634.5**	**$ 15,200.9**
Year-to-Year Percent Change	*4.0%*	*3.2%*	*3.2%*	*3.9%*
Recurring Appropriations				
Legislative	$ 55.6	$ 57.3	$ 59.0	$ 60.7
Feed Bill	*$ 49.0*	*$ 50.5*	*$ 52.0*	*$ 53.6*
Legislative	*$ 6.6*	*$ 6.8*	*$ 7.0*	*$ 7.2*
Judicial	$ 495.1	$ 510.0	$ 525.3	$ 541.0
General Control	$ 234.4	$ 241.4	$ 248.6	$ 256.1
Commerce, Industry	$ 115.1	$ 101.6	$ 104.2	$ 106.8
Agriculture, Energy and Natural Resources	$ 146.8	$ 151.2	$ 155.8	$ 160.4
Medicaid	$ 1,773.6	$ 1,826.8	$ 1,881.6	$ 1,938.1
Other Health, Hospitals and Human Services	$ 1,308.4	$ 1,347.7	$ 1,388.1	$ 1,429.7
Public Safety	$ 609.1	$ 627.4	$ 646.2	$ 665.6
Other Education	$ 95.2	$ 98.1	$ 101.0	$ 104.1
Higher Education	$ 1,518.0	$ 1,563.5	$ 1,610.4	$ 1,658.7
Public School Support	$ 4,788.6	$ 5,075.9	$ 5,380.4	$ 5,703.2
Compensation Package (excl. public education)[1]	$ 26.0	$ 104.0	$ 182.0	$ 260.0
Subtotal - Recurring Appropriations	**$ 11,165.8**	**$ 11,704.8**	**$ 12,282.6**	**$ 12,884.5**
Year-to-Year Percent Change, pre-adjustment	3.1%	4.8%	4.9%	4.9%

Capacity for Nonrecurring Investments—but capacity is not unlimited.

<u>Other Potential Recurring Liabilities</u>				
Pilots				
-Move Successful GRO to Base Budget		$ 72.0	$ 151.0	$ 171.7
- Move Successful PERF to Base Budget		$ 25.0	$ 45.6	$ 64.0
Early Childhood/Child Welfare				
- Childcare Assistance Backfill[2]				$ 350.0
- Protective Services Personnel		$ 14.0	$ 14.0	$ 14.0
Education				
- Career Technical Education/Internships		$ 45.0	$ 45.0	$ 45.0
- Literacy coaches/institute operations		$ 16.6	$ 16.6	$ 16.6
-STEM intervension and network		$ 35.0	$ 35.0	$ 35.0
- Teacher prep, recruitment, retention, ed fellows		$ 25.6	$ 25.6	$ 25.6
Health and Human Services (SNAP/Medicaid)				
- HCAF Coverage for Immigrants/Expired Tax Credits and Other[3]		$ 85.3	$ 161.8	$ 273.2
- Federal SNAP New State Cost Share for Benefits[4]				$ 173.2
- SNAP for Immigrants		$ 19.3	$ 19.3	$ 19.3
- Replace UNM Hospital Directed Payments with State Supplemental Payments			$ 25.0	$ 50.0
- DD Waiver Rate Study (2026)		$ 27.3	$ 27.3	$ 27.3
- Phase two Personal Care Services Rate Adjustment		$ 10.0	$ 10.0	$ 10.0
Subtotal - Additional Recurring		**$ 375.1**	**$ 576.2**	**$ 1,274.9**
Total Recurring Appropriations + Additional Rec	**$ 11,165.8**	**$ 12,079.9**	**$ 12,858.8**	**$ 14,159.4**
Year-to-Year Percent Change	*3.1%*	*8.2%*	*6.4%*	*10.1%*
Surplus/(Deficit) Rec	**$ 2,580.6**	**$ 2,100.5**	**$ 1,775.7**	**$ 1,041.5**
- Capital Outlay	**$ 443.2**	**$ 525.0**	**$ 525.0**	**$ 525.0**
- Higher Ed Capital Fund		**$ 300.0**	**$ 300.0**	**$ 300.0**
- Non Recurring Specials, Supp, & Fund Transfers[5]	**$ 2,207.9**	**$ 1,532.8**	**$ 1,532.8**	**$ 1,532.8**
Subtotal- NR Appropriation from Recuring Rev	**$ 2,651.1**	**$ 2,357.8**	**$ 2,357.8**	**$ 2,357.8**
Surplus/(Deficit) Rec & NR	**$ (70.5)**	**$ (257.3)**	**$ (582.1)**	**$ (1,316.3)**

"13th Check" Bills

(2025) House Bill 454

- Would have provided two years of a 2 percent non-compounding COLA for all members eligible for a COLA.
- Would have been effective for FY26 and FY27.
- ERB's actuaries estimated the cost at $30 million per year.

(2026) House Bill 40

- Would have provided two years of a 2 percent non-compounding COLA for all members eligible for a COLA.
- Would have been effective for FY27 and FY28.
- ERB's actuaries estimated the cost at $32.8 million per year.

Public Comment

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For More Information

- http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx
- Session Publications – Budgets
- Performance Report Cards
- Program Evaluations

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