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FISCAL IMPACT REPORT

SPONSOR Trujillo ORIGINAL DATE 2-22-07
LAST UPDATED _____ HB 1187
SHORT TITLE Service Credit For Work Study Programs SB _____
ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 181, HB 222, HB 224
Conflicts with HB 906 and HB 1209

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)
New Mexico Higher Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 1187 expands the definition of PERA members eligible to purchase service credit for prior cooperative work-study. Currently the PERA Act allows PERA members who participated in cooperative work-study programs established jointly between the former state highway and transportation department and the University of New Mexico (UNM) and New Mexico State University (NMSU) to purchase service credit for the period of employment subject to certain conditions. HB 1187 expands this eligibility to any member who participated in a cooperative work-study program established jointly by any state agency and any post-secondary educational institution

FISCAL IMPLICATIONS

Article XX, Section 22 of the Constitution of the State of New Mexico requires that an increase in benefits under the retirement system be adequately funded to preserve the PERA fund's actuarial soundness. Section 10-11-7 of the PERA Act, authorizing the purchase of service credit for PERA members who participated in cooperative (co-op) work-study programs with the then state highway and transportation department and the UNM and NMSU became effective in

1987. Since then, the cost of co-op service credit is partially subsidized by the retirement system. In 1998, the state Constitution was amended to require adequate funding in connection with legislative expansion of PERA benefits.

HB 1187 will be cost neutral to the PERA fund because it proposes a purchase cost for service credit that reflects the full actuarial present value of the amount of the increase in the member's pension as a consequence of the co-op service credit.

SIGNIFICANT ISSUES

According to HED, 24 engineering students were employed through the New Mexico Department of Transportation (DOT) cooperative work-study program, working from May through August and collecting pavement data on all state routes and highways in New Mexico. Contracting this work to UNM and NMSU freed up more than 12.0 thousand DOT man-hours for engineers and construction crews, allowing them to work on other important construction projects. These students will be eligible to purchase service credit after being a contributing employee of an affiliated-public employer for five years.

In 2006, New Mexico higher education institutions reported that 4,159 students were employed under the federal work-study program and 3,470 students were employed under the state work-study program. The majority of work-study students are employed on campus, but it is unknown how many participate in co-op work-study programs.

There is already a variety of co-op education programs offered where students can gain valuable work experience in their fields of study. HED suggests that allowing them to purchase service credit will provide further incentive to participate in such programs and to seek employment in state government upon graduation.

The primary policy decision is whether it is appropriate to expand the cooperative work-study to any state agency and post-secondary educational institutions.

ADMINISTRATIVE IMPLICATIONS

HB 1187 will most likely increase the volume of co-op service credit purchases by PERA members processed by PERA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with HB 906, which also allows PERA members who participated in a cooperative work-study program established jointly by any state agency and any post-secondary educational institution using a different purchase cost calculation.

Conflicts with HB 1209, which also allows PERA members who participated in a cooperative work-study program established jointly by any state agency and any four year post-secondary educational institution using a different purchase cost calculation.

Relates to HB 222, which authorizes judicial retirement members to purchase up to one year of additional service credit at the full actuarial present value of the increase in the member's pension as a consequence of the purchase.

Relates to HB 224, which authorizes magistrate retirement members to purchase up to one year of additional service credit at the full actuarial present value of the increase in the member's pension as a consequence of the purchase.

Relates to SB 181, which authorizes seasonal employees of the legislative branch to purchase service credit under existing law, subject to certain conditions.

OTHER SUBSTANTIVE ISSUES

The PERA Act does not define the term "post-secondary educational institutions." Post-secondary educational institutions include, but are not limited to, an academic, vocational, technical, business, professional or other school, college or university or other organization offering or purporting to offer courses, instruction, training or education through correspondence or in person, to any individual within this state over the compulsory school attendance age, if that post-secondary educational institution is directly supported in whole or in part by the state or local taxation. NMSA, 1978 Section 21-1-38 (A)(2) (2005).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Individuals participating in co-op work-study programs other than the program with NMDOT and UNM/NMSU will not be eligible for purchasing service credit through PERA.

MA/csd