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

SPONSOR Tallman **ORIGINAL DATE** 01/26/21 **LAST UPDATED** 02/04/21 **HB**

SHORT TITLE State Employee Wage Deducted For Loans **SB** 57

ANALYST Nichols

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Personnel costs		$100.0	$100.0	$200.0	Recurring	General Fund
Legal analysis		$25.0	$10.0	$35.0	Recurring	General Fund
SHARE updates		$300.0	$100.0	$400.0	Recurring	SHARE System Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Department of Finance and Administration (DFA)
Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

Senate Bill 57 creates an employee loan program within the Department of Finance and Administration (DFA) that would allow the state to deduct a portion of participating employees' salaries or wages for disbursement to accounts established by qualified lenders. A qualified lender is a loan company or other entity either licensed with, or exempt from, the New Mexico Small Loan Act.

Lenders cannot receive compensation from the state for service and loans cannot put the state at financial risk or subject the state to claims by employees related to a loan or loan repayment through the program. Payroll deductions for loan repayment are capped at 12 percent of an employee's gross wages for each pay period a deduction is made. Eligible loans must be for one year or less and the annual interest rate cannot exceed 30 percent. An employee's credit score cannot be used to determine loan eligibly and the state cannot not be involved in the loan decision and does not assume any responsibility to repay or guarantee the loan.

The effective date of the bill is July 1, 2021.

FISCAL IMPLICATIONS

According to DFA, SB57 would require customization to SHARE, including ongoing customization as the vendor updates SHARE. In previous years, the estimate provided by the Department of Information Technology to implement a reconfiguration was $300 thousand in the first year and $100 thousand in each subsequent years.

DFA would require an additional FTE to administer the program, including reconciling activity each pay period, reviewing lender requirements, remitting reconciled payments, and ensuring that the lender has accurate and relevant employee information, testing system configuration, and answering questions from interested or participating employees. DFA estimates a cost of approximately $100 thousand, including salary and benefits, for the additional FTE.

DFA also indicates it would require some legal analysis to ensure the state is legally protected from employee loan liability.

SIGNIFICANT ISSUES

DFA identifies a potential data security risk were it required to share employee payroll or other information with lenders.

It is not clear which lenders would be interested in and able to partner with the state on an employee loan program.

ADMINISTRATIVE IMPLICATIONS

Currently, fixed amount, biweekly payroll deductions are accommodated in SHARE. However, limiting the amount being deducted in any pay period to not exceed 12 percent would require system customizations.

AN/sb/al/rl