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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/22

SPONSOR Stewart LAST UPDATED _____ HB _____

SHORT TITLE Contributions to Educational Retirement Fund SB 36

ANALYST Jorgensen

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24		
	\$34,038.0	\$68,076.0	Recurring	Educational Retirement

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Public Schools		\$21,716.0	\$43,432.0	\$65,148.0	Recurring	State Equalization Guarantee
Higher Education		\$11,805.8	\$23,611.5	\$35,417.3	Recurring	Various
Other		\$516.2	\$1,032.4	\$1,548.6	Recurring	Various
Total		\$34,038.0	\$68,076.0	\$102,114.0	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Educational Retirement Board (ERB)

Higher Education Department (HED)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 36 – Page 2

Senate Bill 36 increases employer contributions by 2 percent in FY23 and 1 percent in FY24 for a total increase of 3 percent.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

Under the provisions of SB36, ERB would receive employer contributions of 2 percent per year over what was currently anticipated. SB36 increases the employer contribution by 2 percent in FY23. However, a 1 percent increase was already planned for FY23, so the effective revenue increase to ERB would be 1 percent for FY23 and 1 percent in FY24. ERB estimates SB36 will increase revenue to the retirement fund by \$34 million the first year and \$68 million in the second year, as shown in the revenue table.

The increases will be fully paid by employers. ERB estimated the cost of the increase by employer for a similar bill last year. These costs are shown in the estimated additional operating budget impact table.

The executive recommendation contains funding for the 1 percent increase in FY23, and the LFC recommendation includes funding for a 2 percent increase in FY23.

SIGNIFICANT ISSUES

ERB's 2021 valuation report showed assets totaling \$14.6 billion and \$23.3 billion in liabilities resulting in an unfunded liability of \$8.6 billion. ERB's actuaries estimate that increasing the employer contribution rate to 18.15 percent would reduce the projected UAAL as of June 30, 2049 to \$3.8 billion and the projected funded ratio would be 90.3 percent at that time.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The General Appropriation Act contains sufficient funding for the 2 percent increase in FY23.

CJ/al