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AGENCY BILL ANALYSIS
2026 REGULAR SESSION

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Click all that apply:

Original X **Amendment** ____
Correction ____ **Substitute** ____

Date Prepared: 2026-01-20
Bill No: HB40

Sponsor: Borrego, Cynthia

Short Title: TEMPORARY ERB MEMBER PAYMENT

Agency Name and Code Number: NMHED

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
N/A	65,500.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue	Recurring	Fund Affected

FY26	FY27	FY28	or Nonrecurring	
N/A	N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	N/A	N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 40 (HB40) amends Section 22-11-31 NMSA 1978 (being Laws 1979, Chapter 333, Section 2, as amended) to provide that, in Fiscal Year 2027 (FY27) and Fiscal Year 2028 (FY28), each retired member receiving an annuity under the Educational Retirement Act receives an additional, annual, noncompounding payment equal to two percent (2%) of their annual annuity, inclusive of prior costofliving adjustments (COLA). The bill appropriates sixty-five million five hundred thousand dollars ($65,500,000) from the General Fund to the New Mexico Educational Retirement Board (NMERB) for expenditure in FY27 and FY28 to cover the cost of these payments, with any unexpended balance remaining at the end of each fiscal year not reverting to the General Fund.

The New Mexico Higher Education Department's (NMHED) analysis of this bill focuses on the higher education implications of the proposed legislation. Additional insight may be obtained from other agencies' analyses.

FISCAL IMPLICATIONS

HB40 provides an increase in benefit payments funded by a General Fund appropriation of sixty-five million five hundred thousand dollars ($65,500,000) to NMERB for FY27 and FY28. Because the appropriation is made directly to the NMERB and not to NMHED or public colleges and universities, the bill does not change higher education operating budgets, research and public service project (RPSP) appropriations, nor NMHED's instructional and general (I&G) funding recommendations. However, higher education institutions may experience indirect benefits in recruitment and retention if enhanced retiree benefits improve the perceived value of the Educational Retirement Plan over time.

SIGNIFICANT ISSUES

The Educational Retirement Act governs retirement benefits for employees of public colleges and universities, so the two percent (2%) additional payment in FY27 and FY28 may improve the financial security of retired faculty and staff. The FY27 and FY28 increase may also be viewed as recognition of the reduced spending value of retirement annuities as a result of inflation. For current higher education employees, the enhancement may improve attractiveness of careers at public colleges and universities that participate in the educational retirement system, thereby assisting institutions in longterm workforce planning, despite the bill's time limitation to FY27 and FY28 payments.

PERFORMANCE IMPLICATIONS

HB40 does not establish new performance measures for NMHED, higher education institutions, or NMERB. If NMERB or participating institutions choose to monitor outcomes such as retiree financial wellbeing or retention of employees nearing retirement eligibility, those efforts would be internal and are not mandated in this bill.

ADMINISTRATIVE IMPLICATIONS

There are no direct administrative duties assigned to NMHED or to individual public colleges and universities beyond routine coordination with NMERB on member employment and retirement status, so any administrative impact on NMHED is expected to be minimal and can likely be absorbed within existing resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

HB40 inserts a new Subsection C establishing payments during FY27 and FY28 and renumbers existing subsections accordingly, including updating crossreferences from Subsection C to Subsection D and from Subsection G to Subsection H. There are no apparent technical drafting issues in HB40 that specifically affect NMHED or references to public colleges and universities. The appropriation language states that any unexpended balance shall not revert to the General Fund.

OTHER SUBSTANTIVE ISSUES

This bill relies on a onetime General Fund appropriation to finance the enhancement. Because the two percent (2%) payment is non-compounding and limited to FY27 and FY28, the longterm actuarial impact on the Educational Retirement Fund may differ from a permanent increase in the COLA formula. Faculty and staff at public colleges and universities may compare these temporary payments to inflation trends and to retirement benefits available in other states. This comparison could influence perceptions of the competitiveness of New Mexico’s higher education retirement benefits, even though the bill does not alter base COLA formulas beyond those years.

ALTERNATIVES

If the Legislature wishes to provide more predictable, ongoing support for higher education retirees, an alternative would be to adjust the underlying COLA formula in Section 221131 NMSA 1978 rather than provide noncompounding payments for FY27 and FY28, though such changes could increase longterm costs for the fund. Another alternative would be to target additional support to retirees with annuities below a specified threshold, which could focus resources on the lowestincome former higher education employees. This option would require more complex administration by NMERB.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB40 is not enacted, retired members of the Educational Retirement system, including former employees of public colleges and universities, would not receive the temporary two percent (2%) noncompounding additional payments in FY27 and FY28. The General Fund would not incur the sixty-five million five hundred thousand dollars ($65,500,000) appropriation to NMERB. Retiree benefits would continue to be determined solely by existing Educational Retirement Act provisions and associated COLA formulas.

AMENDMENTS

N/A