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FISCAL IMPACT REPORT

ORIGINAL DATE 1/18/19

SPONSOR Martinez LAST UPDATED _____ HB 50

SHORT TITLE Audit Reviews by Board of Finance SB _____

ANALYST Glenn

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Treasurer (STO)

Public Employees Retirement Association (PERA)

Responses Requested But Not Received From

Educational Retirement Board

SUMMARY

Synopsis of Bill

House Bill 50 requires the Educational Retirement Board, Office of the State Treasurer, Public Employees Retirement Association and the State Investment Council to submit current annual financial audit reports to the State Board of Finance for review.

FISCAL IMPLICATIONS

None noted.

SIGNIFICANT ISSUES

STO notes that currently, only the State Treasurer’s Office presents its annual audited financials to the State Board of Finance. This bill would require that all of the investing agencies submit

their annual financial audit report to the State Board of Finance for presentation and review.

HB50 requires that the annual financial audit report shall be presented to the State Board of Finance for review. HB50 does not specify what such a review would entail and what criteria if any the State Board of Finance would be using for such a review.

ADMINISTRATIVE IMPLICATIONS

PERA states that the annual financial audit is produced by a third party and it is a comprehensive report that stands on its own terms. PERA as well as the other presenting agencies have limited ability to go beyond the plain terms of the audit in any presentation to the State Board of Finance.

ALTERNATIVES

According to PERA, the annual financial audit is available on the Office of the State Auditor's (OSA) website usually by December 31 each year. In addition, the annual financial audit is available on PERA's website after it is approved by OSA. OSA notifies the Legislative Finance Committee and the Department of Finance & Administration that the audit report for PERA has been released and is available on OSA's website. PERA also posts its Popular Financial Audit Report (PFAR) on its website in January of each year. PERA prepares the PAFR as a reader-friendly summary of the detailed information contained in the annual financial report. The State Board of Finance could access these materials and request that the subject agencies appear if the Board has questions that the investing agencies can answer.

BG/cw/sb