HB 18-1298

Legislative
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FISCAL NOTE

Drafting Number:	LLS 18-0529	**Date:**	March 21, 2018
Prime Sponsors:	Rep. Pettersen; Bridges Sen. Donovan	**Bill Status:**	House Business
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Bill Topic: COLORADO SECURE SAVINGS PLAN

Summary of Fiscal Impact:

☒ State Revenue *(potential)*
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☐ Local Government
☒ Statutory Public Entity

The bill creates a new statutory public entity, the Colorado Secure Savings Board, to administer retirement accounts for private sector employees. The bill creates a potential state revenue and expenditure increase.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Contingent upon future approval of the General Assembly, the bill creates the Colorado Secure Savings Plan (plan) for private sector employees to be administered by the newly created statutory public entity, the Colorado Secure Savings Board (board). The plan includes an individual retirement account (IRA) provided by one or more financial services vendors approved by the board. Participants make contributions to the IRA through automatic payroll deductions. Moneys received from enrollees, participating employers, gifts, grants, donations, and loans, if pursued, go into the Colorado Secure Savings Plan Fund (fund), a trust established for the plan.

Board of trustees. The nine-member board responsible for instituting the plan consists of the state controller in the Department of Personnel and Administration (DPA) or his or her designee, the director of the Office of State Planning and Budgeting or his or her designee, and seven members appointed by the Governor and confirmed by the Senate who meet criteria outlined in the bill. Board members have a fiduciary duty to the plan's enrollees and beneficiaries, and the board is the trustee of the fund.

Employer eligibility. To qualify for participation, an employer must:

- not currently offer a qualified retirement plan;
- choose to participate in the plan;
- have been in business at least two years;
- have not previously offered a qualified retirement plan to any employees; and,
- for the first three implementation years, employ a specified number of employees.

Employers must establish a payroll deposit savings arrangement and automatically enroll employees who have not opted out.

Employee eligibility. To participate in the plan, an employee must be at least 18 years old, employed by the qualifying employer for at least 120 days, and earn wages subject to income tax.

Plan administration. The board must use an open bid process to engage one or more financial services vendors to provide and bear all financial responsibility for a low-risk investment portfolio and/or a target date fund. Before selecting a vendor, the board must conduct a financial feasibility study and receive legislative approval for plan implementation. The board may also contract as necessary for administration of the plan and the fund, including with state agencies. To cover start-up costs, the board may accept gifts, grants, and donations, and pursue options for bank loans or lines of credit. The board may award a 10-year record-keeping contract to allow vendors to recover start-up costs and initial losses.

Reporting, study, and audit requirements. The board must complete a performance review of financial services vendors every four years and make the review available to the public. It must conduct studies and make recommendations on the effects of greater financial education on increased retirement savings, and ways to increase the number of Colorado businesses that offer retirement savings plans. It must annually prepare and adopt a written statement of investment policy that includes a risk management and oversight program. It must contract for an annual audited financial report of the plan. Finally, the board must conduct an analysis of relevant consumer protections available under federal law and make recommendations to the General Assembly regarding any additional necessary consumer protections that should be included in plan implementation.

Penalties. The board must determine a penalty structure for employers who fail to enroll employees in the plan within time frames, including a warning for the initial offense and a gradual increase in the penalty amount over time not to exceed $250 for each employee each calendar year, and develop a process for employees to report non-compliant employers. Penalty revenue is credited to the fund.

State Revenue

The bill allows the board to contract with a state agency for the administration of the plan. If this occurs, state cash fund revenue will increase to state agencies, paid for by the fund. This amount represents an intergovernmental revenue exchange not subject to TABOR.

To the extent that the bill reduces taxable income by incentivizing retirement savings, the bill may reduce state General Fund revenue from income taxes, which are subject to TABOR. This amount has not been estimated. Because future legislation is required for plan implementation, a future fiscal note will make that revenue estimate.

State Expenditures

The bill minimally increases workload for the state controller in the Department of Personnel and Administration and the director of OSPB (or their designees) to serve on the board. The bill also requires a future General Assembly to consider legislation regarding the approval of plan implementation. These workload impacts can be accomplished within the existing appropriations of all departments.

If the board contracts with a state agency for plan administration, workload and expenditures will increase in that state agency, paid for by the fund.

Statutory Public Entity Impact

The bill creates a statutory public entity, the Colorado Secure Savings Plan, and allows its board to seek, accept, and spend gifts, grants, donations, bank loans, or lines of credit to initiate the plan. All administrative and investment costs incurred by the board are to be paid from the plan's assets. The plan will only be implemented upon future legislative approval. As a result, fiscal impacts have not been estimated at this time.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Governor	Labor	Law
Office of State Planning and Budgeting	Personnel	Revenue