

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0970-01
Bill No.: SB 199
Subject: Office of Administration; Boards, Commissions, Committees, and Councils; State Treasurer
Type: Original
Date: April 17, 2019

Bill Summary: This proposal creates the Missouri Secure Choice Savings Program Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or (Unknown, \$217,449 to Could exceed \$2,000,000)	\$0 or (Unknown, \$239,673 to Could exceed \$2,000,000)	\$0 or (Unknown, \$242,036 to Could exceed \$2,000,000)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown, \$217,449 to Could exceed \$2,000,000)	\$0 or (Unknown, \$239,673 to Could exceed \$2,000,000)	\$0 or (Unknown, \$242,036 to Could exceed \$2,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Missouri Secure Choice Administrative Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

*Transfers-in and costs net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Missouri Secure Choice Administrative Fund	0 to 2 FTE	0 to 2 FTE	0 to 2 FTE
Total Estimated Net Effect on FTE	0 to 2 FTE	0 to 2 FTE	0 to 2 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer (STO)** state the office does not currently deal with retirement savings nor have the capacity to take on the duties necessary to begin a program like the Missouri Secure Choice Savings Program. An institution such as MOSERS would have staff with more relevant experience for establishing a program like the one described in this bill.

STO does not operate any similar programs and does not currently have the resources to absorb the duties assigned to support the startup of the Missouri Secure Choice Savings Board. As such, we have estimated a minimum of two (2) FTEs being required to support the Board and the Program.

STO has assigned these costs to the General Revenue Fund as these duties are beyond the scope of permitted expenditures from the State Treasurer's General Operations Fund pursuant to Section 30.605, RSMo, which authorizes the Treasurer to retain interest to fund the office functions pertaining to the management of state funds. The basis point cap included within this section cannot absorb additional functions without being raised above 15 basis points.

This proposal would require the state to fund the startup costs for the program which could cost millions of dollars in contracts and staff. The board would eventually repay the State of Missouri's costs; however, this could take several years.

Officials from the **Office of the Governor** assume this proposal establishes the "Missouri Secure Choice Savings Board" that shall be composed of 5 members with 3 being gubernatorial appointees. There should be no added cost to the Governor's Office as a result of this measure. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Office of Administration - Budget and Planning** and **Department of Revenue** each assume the proposal will have no fiscal impact on their organization.

Oversight assumes this proposal creates the Missouri Secure Choice Savings Program payroll deduction retirement savings program and creates the Missouri Choice Savings Board comprised of five members.

Oversight notes, in 2016, Oregon created a state-based retirement savings program called [OregonSaves](#). The program allows employees and workers to enroll in an automatic payroll

ASSUMPTION (continued)

deduction to Roth IRAs for self-employed workers and employees that are not offered retirement savings options through their employer. Based on the [OregonSaves 2018 Annual Report to the Legislature](#), the combined retirement savings of the program were approximately \$10.9 million.

Oversight notes, based on a [Supplemental Appropriation Request](#), the Oregon State Treasury was appropriated \$1,021,497 (approximately \$500,000 annually) for staffing and other costs during the 2015-2017 biennium with an additional appropriation for \$252,372 for legal expenses. For the 2017-2019 biennium, the Oregon State Treasury was appropriated \$2,187,774 with a supplemental request for an additional \$1,834,033 for a total of \$4,021,807 in General Funds (approximately \$2,000,000 annually). Oversight notes the OregonSaves program was created with different groups being phased in over time. Based on the Annual Report, the program currently has a participation rate of 72.75%.

Oversight notes the proposal states that the annual administrative expenses shall not exceed .75% (.0075) of the total trust balance. If the trust balance reached \$10 million in assets (based on the current assets in the OregonSaves program), the administrative costs would be limited to \$75,000 annually ($\$10,000,000 \times .0075$). Oversight is unsure if the limit on annual administrative expenses includes program start-up costs. Oversight assumes start-up costs would diminish overtime as the fund becomes self-sustaining. The start-ups costs provided by the State would be repaid by the board with moneys on deposit which may have a positive impact on General Revenue in the future; however, Oversight is unsure when this would occur.

Oversight assumes this proposal creates the Missouri Secure Choice Administrative Fund which consists of grants and other monies designated for administrative purposes for the Missouri Secure Choice Program. Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight assumes the impact of the proposal could be similar to the cost experienced by the OregonSaves program, approximately \$2,000,000 per year. Oversight will show the costs as estimated by STO to an unknown cost that could exceed approximately \$2,000,000 (less the costs estimated by the STO) per year. Additionally, Oversight notes this program is subject to appropriation; therefore, Oversight will show the cost as \$0 (no appropriation) or the cost estimated above as appropriated by the State.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for

ASSUMPTION (continued)

this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
	\$0 or	\$0 or	\$0 or
	(Unknown,	(Unknown,	(Unknown,
<u>Transfer Out</u> - to Missouri Secure Choice	\$217,449 to	\$239,673 to	\$242,036 to
Administrative Fund	Could exceed	Could exceed	Could exceed
	<u>\$2,000,000)</u>	<u>\$2,000,000)</u>	<u>\$2,000,000)</u>
	\$0 or	\$0 or	\$0 or
	(Unknown,	(Unknown,	(Unknown,
ESTIMATED NET EFFECT ON	\$217,449 to	\$239,673 to	\$242,036 to
GENERAL REVENUE	Could exceed	Could exceed	Could exceed
	<u>\$2,000,000)</u>	<u>\$2,000,000)</u>	<u>\$2,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Oversight assumes there could be a fiscal impact to small businesses that participate in the program as a result of this proposal.

FISCAL DESCRIPTION

This act creates the Missouri Secure Choice Savings Program Act. Under this act, certain employers that do not offer a qualified retirement plan are required to participate in the Missouri Secure Choice Savings Program and allow their employees to choose to contribute a portion of their wages to the Missouri Secure Choice Savings Program Fund through a payroll deduction arrangement.

The act creates the Missouri Secure Choice Savings Board composed of five members: the State Treasurer, as chair, the Commissioner of Administration, a public representative with expertise in retirement savings investment, a representative of employers, and a representative of employees. The act outlines the duties and responsibilities of the Board including designing, establishing, and operating the Missouri Secure Choice Savings Program. The Board is additionally required to submit certain reports outlining the financial condition of the program and a summary of the benefits provided by the program.

The moneys held in the MSCSP Fund are not property of the state nor shall they be commingled with state funds. Furthermore, the act exempts the state, any board, commission, agency, officer, or employee of the state, and participating employers from certain liabilities under this act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Treasurer
Department of Revenue
Office of the Governor
Office of Administration - Budget and Planning
Joint Committee on Administrative Rules
Office of the Secretary of State



Kyle Rieman
Director
April 17, 2019

Ross Strobe
Assistant Director
April 17, 2019