LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 30, 2021

TO: Honorable Rafael Anchia, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2996** by Muñoz, Jr. (Relating to the creation of a state-administered retirement plan; authorizing administrative penalties.), **As Introduced**

The fiscal implications of the bill are indeterminate and would depend on participation, contributions and investments of the plan, and fees charged to administer the plan. Additionally, any transfers of proceeds from unclaimed accounts would result in an unknown gain to the General Revenue Fund.

This bill would amend Title 2, Subtitle D of the Labor Code, relating to the creation of a state-administered retirement plan and authorizing administrative penalties.

The bill would create the Secure Retirement Savings Program of Texas and would allow all employers with at least two employees in Texas to participate. By default, the program would opt-in eligible employees to a defined contribution IRA plan, with the option to contribute through payroll deduction, and option for employees to opt out.

The program would be distinct from any employee pension plan, and neither the state nor any participating employer would have property rights in the program. Employers would have the option of matching employee contributions, but would not be required to contribute toward the program. Fees and expenses would be paid from proceeds of the program.

The bill would create the Secure Retirement Savings Program Trust Fund to hold and invest program money, as well as the Secure Retirement Savings Program Administrative Fund to pay administrative costs, both held by the Comptroller outside the treasury. Amounts deposited in the trust fund would not be state property and would not be commingled with state money. The administrative fund would only receive money from gifts, grants, or other deposits including receipts from a government entity.

The bill would send proceeds from unclaimed accounts to be managed by the Comptroller as unclaimed property.

The bill would create a board of trustees consisting of five members, the chair of which would be the Comptroller or their designee. It is unclear if the bill intends to create the board as a stand-alone state agency or be administratively attached to the Comptroller's office or other state agency.

The bill would establish penalties of up to $1,000 per employee per year for any employer that does not comply with the requirements of the plan. The bill would also penalize employers for not depositing an employee's contribution within a specified period, accruing penalties equal to earnings and interest lost by delaying deposits.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

According to the Comptroller, presumably there would be administrative costs to the entity that is ultimately charged with administering the program, paid from administrative fees generated by the program. However, the administrative fees and costs cannot be determined at this time. Additionally, any potential revenue gain from transfer of proceeds from unclaimed accounts and penalties cannot be estimated.

The Office of the Attorney General indicates there would be a cost associated with provisions to represent the board of trustees associated with the Secure Retirement Savings Program. This analysis assumes the cost could be absorbed within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts

LBB Staff: JMc, AAL, LCO, MBO