SB 20-200

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 20-0594	**Date:**	September 17, 2020
Prime Sponsors:	Sen. Donovan; Pettersen Rep. Kraft-Tharp; Becker	**Bill Status:**	Signed into Law
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Bill Topic: **IMPLEMENTATION OF COLORADO SECURE SAVINGS PROGRAM**

Summary of Fiscal Impact:

- ☒ State Revenue
- ☒ State Expenditure
- ☐ State Transfer
- ☐ TABOR Refund
- ☐ Local Government
- ☐ Statutory Public Entity

The bill directs the Colorado Secure Savings Program Board to implement the Colorado Secure Savings Program. It will increase state revenue and expenditures on an ongoing basis.

Appropriation Summary: The bill includes an appropriation of $1,197,552 to the Treasury Department which may be expended in FY 2020-21 and FY 2021-22. See State Appropriations section.

Fiscal Note Status: This fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 20-200

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures*	General Fund	$331,081	$791,074
	Centrally Appropriated	$14,657	$75,397
	Total	**$345,738**	**$866,471**
	Total FTE	**1.0 FTE**	**5.1 FTE**
Transfers		-	-
TABOR Refund		-	-

* *In out-years, fee revenue will fund these costs; however, based on available information, it is unknown when the program would become fully self-sufficient.*

Summary of Legislation

This bill directs the renamed Colorado Secure Savings Program Board to implement the Colorado Secure Savings Program, as outlined below.

Board membership. The Governor is required to make new appointments to the board for terms beginning September 15, 2020. Terms are four years at the pleasure of the Governor and board members may be eligible for reappointment for an additional two terms.

Board powers and duties. The bill grants the board the power and duty to establish, implement, and maintain the Colorado Secure Savings Program and adopt rules regarding program administration. The board must direct the State Treasurer to hire staff to support the oversight and administration of the program. In addition, the board must:

- develop an investment policy statement and oversee fund investments;
- collect fees to defray the costs of administering the program;
- create a grant program to incentivize compliance with the program and defray the costs of small businesses with 5 to 25 employees;
- seek and accept gifts, grants, and donations;
- make and enter into contracts with financial institutions, advisers, and third-party program administrators, as well as research, technical, and other services;
- establish intergovernmental agreements with state agencies including the Department of Labor and Employment (CDLE), the Department of Revenue (DOR), and the Secretary of State (SOS), as necessary;
- set penalties for employers that do not comply with the requirements of the program and work with CDLE to enforce compliance with the program;
- evaluate the need for and procedures, if necessary, for the program, program administration, and board members to have private insurance;
- develop and implement an outreach plan to gain input and disseminate information regarding the program and retirement savings generally;
- assess the feasibility of multi-state or regional agreements to administer the program through shared administrative resources and enter into those agreements if determined beneficial; and
- include financial education as a part of program implementation.

Rules. The bill requires that the board adopt rules regarding the process for program enrollment; withdrawals; default contributions; employee withholdings; non-payroll contributions; minimum and maximum contribution levels; the employer exemption process; the employer grant program; enforcement; fines for employer noncompliance, within certain limits; required disclosures;

Fund. The bill creates the Colorado Secure Savings Program Fund in the State Treasury which consists of appropriations from the General Assembly; transfers from other governmental entities; fee and penalty revenue; gifts, grants, and donations made to the board; and any funding received by the State Treasurer for the program. The fund is continuously appropriated to the board.

Implementation. The State Treasurer may seek, accept, and spend gifts, grants, donations, or investments (not required to be repaid) to administer the program.

Confidentiality. The bill requires individual account information to be maintained confidentially. It may only be disclosed under specified circumstances.

Annual report. The board is required to submit an annual report to the Governor and the General Assembly by April 1, 2022, and each year thereafter, that includes statistics regarding enrollment in the program, the number of program accounts opened, the average amount employees are saving through the program, average contribution levels, a summary of common complaints or concerns about the program, and information regarding the administrative costs and fees associated with the program.

Employer liability. The bill distinguishes that employers are not liable for any errors or omissions on disclosure forms, the website, or information provided by the state.

Background

Senate Bill 19-173 established the Colorado Secure Savings Plan Board in the Office of the State Treasurer to study the feasibility of creating a retirement savings plan and other approaches to increase the amount of retirement savings by Colorado's private sector workers. The board consists of the State Treasurer and eight additional members who are appointed by the Governor. The board performed the bill's required analyses related to retirement savings and issued a report on its recommendations in February 2020, which is available online here: *https://www.colorado.gov/pacific/sites/default/files/atoms/files/CSSP_Retirement%20Security%20in%20Colorado_02-28-2020.pdf*. The board concluded that Colorado should adopt a state-facilitated, privately administered auto individual retirement account (IRA) program and create a statewide, coordinated approach to financial education to raise the level of financial knowledge among state residents.

State Revenue

The bill potentially affects state revenue in two areas: administrative fees and other revenue to the Colorado Secure Savings Program Fund and income and sales tax collections. At this time, information is not available to estimate program revenue; potential tax impacts are discussed generally and not estimated.

Administrative fees. The board may set administrative fees and receive revenue from various sources to cover the cost of the program. Actual revenue will depend on board decisions, agreements with third-party vendors, and investment performance. At this time, there is not sufficient information to estimate the potential revenue from these sources.

Income and sales tax. The bill encourages retirement savings, which has potential behavioral impacts on state residents that may affect the economy and state revenue. Additional personal savings would lower spending in other areas of the economy, potentially decreasing sales tax revenue to the state. Further, to the extent additional funds are held in tax exempt retirement accounts rather than other types of accounts, personal income tax revenue may decrease as the deferred tax accounts grow. However, over a longer time period of time, revenue could increase as tax deferred accounts are gradually used and taxed. Exact tax impacts from increased retirement savings are unknown and depend on personal behavior, opt out rates, investment returns, and various other factors.

State Expenditures

The bill will increase state expenditures by an estimated $345,738 and 1.0 FTE in FY 2020-21 and $866,471 and 5.1 FTE in FY 2021-22 and future years. Initial program costs are funded with General Fund. In out-years, fee revenue will fund these costs; however, based on available information, it is unknown when the program would become fully self-sufficient.

Table 2
Expenditures Under SB 20-200

	FY 2020-21	FY 2021-22
Office of the State Treasurer		
Personal Services	$81,161	$328,204
Operating Expenses	$1,080	$6,750
Capital Outlay Costs	$6,200	$24,800
Consultant	$200,000	$200,000
Marketing and Outreach	-	$200,000
Marketing-related Travel	-	$10,000
Legal Services	$42,640	$21,320
Centrally Appropriated Costs	$14,657	$75,397
FTE – Personal Services	0.8 FTE	5.0 FTE
FTE – Legal Services	0.2 FTE	0.1 FTE
Total Cost	**$345,738**	**$866,471**
Total FTE	**1.0 FTE**	**5.1 FTE**

** Costs in this table are required to be paid with gifts, grants, or donations.*

State Treasurer. Initially, the office will hire 1.0 FTE program director with investment expertise to support the work of the board in developing program and investment policies and administering and evaluating requests for proposals for the program administrator. In FY 2021-22, costs will increase to bring on additional marketing and support staff for the state side of the program. Costs in this preliminary fiscal note are based on similar programs in Illinois, Oregon, and an initial fiscal analysis performed by the Center for Retirement Research under SB 19-173. First-year costs assume a September start date.

Department of Labor and Employment. CDLE may be relied upon to assist with employer compliance through an interagency agreement. If additional appropriations are required for this work, this will be addressed through the annual budget process.

Department of Revenue and Secretary of State. If an intergovernmental agreements are established between DOR and the SOS, workload will increase in that agency. It is expected that this work can be accomplished within existing resources.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be $14,657 in FY 2020-21 and $75,397 in FY 2021-22.

Effective Date

The bill was signed into law by the Governor and took effect July 14, 2020.

State Appropriations

The bill includes a General Fund appropriation of $1,197,552 and 5.0 FTE to the Treasury Department for use in FY 2020-21 and FY 2021-22. Of this amount, $63,960 is reappropriated to the Department of Law in FY 2020-21 with 0.3 FTE.

The bill also reduces an appropriation to the Office of Information Technology by $1,197,552.

State and Local Government Contacts

Governor	Information Technology	Labor
Law	Revenue	Secretary of State
Treasury		