



March 6, 2023

SUMMARY OF BILL: Increases the maximum monthly 401(k) matching amount from a state employer from 100 percent of the first \$50 contributed to 100 percent of the first \$100 contributed per employee per month for FY23-24 and subsequent fiscal years.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$36,481,900/FY23-24 and Subsequent Years

The Governor’s proposed budget for FY23-24 recognizes, on page B-25, a one-time increase in state expenditures of \$35,735,300 to provide a 2:1 match for the first \$50 employee contribution.

Assumptions:

- Pursuant to Tenn. Code Ann. § 8-25-303(a)(1), the state employer 401(k) match equals 100 percent of the amount contributed by each employee to the plan per month, up to a maximum of \$50 per month, or alternatively, up to a higher maximum that may be prescribed in the annual General Appropriations Act.
- Pursuant to Tenn. Code Ann. § 8-25-303(a)(3), the state employer match equals 200 percent of the amount contributed by the employee, up to \$100 per month for FY22-23 only; such match reverts back to 100 percent of up to \$50 in FY23-24 and subsequent years.
- This legislation will result in a significant recurring increase in recurring expenditures, beginning in FY23-34, for the higher employer match contribution provided in this legislation.
- According to information previously provided by the Department of Treasury, the state match in FY20-21 totaled \$35,670,817. The Fiscal Review Committee staff did not receive updated information for the state match provided in FY21-22. Therefore, FY20-21 information is utilized in this fiscal analysis.
- The proposed legislation will double that match, resulting in a recurring increase in state expenditures of \$35,670,817 in FY23-24 and subsequent years.
- In addition, it is assumed that some employees that would, under current law, contribute under the current maximum \$50 match will be incentivized to increase their contribution due to the enhanced match.
- Based on information previously provided to the FRC staff, the number of employees contributing less than \$50 per month is estimated to be 9,010. The average contribution

of such employees is unknown but is assumed to be \$35. It is further assumed that 25 percent of such employees, or 2,253 (9,010 x 25%), will increase their contributions to \$50 due to the proposed enhanced state match. The additional increase in state expenditures, not accounted in the \$35,670,817 figure above, is estimated to be \$30 per employee per month. The recurring increase in state expenditures is estimated to be \$811,080 (2,253 x \$30 x 12), beginning in FY23-24.

- It is assumed that the proposed legislation will not incentivize any non-participating employees to commence participation in the program.
- The total increase in state expenditures in FY23-24 and subsequent years is estimated to be \$36,481,897 (\$35,670,817 + \$811,080).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/mk