

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING THE CONTINUATION OF A TEMPORARY MODIFICATION TO THE CONTRIBUTION RATES FOR CERTAIN DIVISIONS OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION.

Prime Sponsors: Senator Steadman
Representative Becker

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Phone: 303-866-4963
Date Prepared: February 3, 2011

Summary of Amendments Made to the Bill After the 1/25/2011 Legislative Council Staff Fiscal Note Was Prepared

None.

JBC Staff Concurrence with Legislative Council Staff Fiscal Note

Concurs **Does Not Concur** **Updated Analysis**

Reason For the Update

The Department of Transportation updated the legislation's fiscal impact after the Legislative Council Staff Fiscal Note dated 1/25/2011 was prepared. The revised fiscal impact for this department is \$4,235,850 cash funds for the Department of Transportation, and \$0 reappropriated funds. The updated information also further reduces the General Fund revenue for FY 2011-12 by \$127,000. The following table provides a revised summary of the bill's fiscal impact.

Fiscal Impact Summary	FY 2011-2012
State Revenue - General Fund	(\$2,092,930)
State Expenditures	(\$69,764,348)
General Fund	(38,459,308)
Multiple Cash Funds	(12,684,900)
Reappropriated Funds	(14,098,853)
Federal Funds	(4,521,287)
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.	
Appropriation Summary for FY 2011-2012: See State Appropriations section in the Legislative Council Staff Fiscal Note dated 1/25/2011.	
Local Government Impact: None.	

Amendments/Appropriation Status

The legislation will reduce state expenditures for Public Employees Retirement Association (PERA) contributions by a total of \$69.8 million. As of the time that this document was prepared, the Joint Budget Committee intends to reflect the legislation's negative fiscal impact in the FY 2011-12 Long Bill for state agencies *only*.

As of the time that this document was prepared, the Joint Budget Committee has chosen to not reduce the appropriations for the Department of Higher Education as a result of this legislation. If the Department's appropriation is not reduced to reflect the legislation's fiscal impact, the Department will retain the savings generated by this bill (\$28.5 million, including \$18.8 million General Fund) and will use the money for other purposes.

This legislation will affect the appropriation for every Personal Services line item within the FY 2011-12 Long Bill. The FY 2011-12 Long Bill has not yet been introduced. If this bill passes prior to the introduction of the Long Bill, the savings resulting from this bill will be reflected in the FY 2011-12 Long Bill. If this bill has not passed prior to the introduction of the FY 2011-12 Long Bill, the fiscal impact of this bill will not be reflected in the FY 2011-12 Long Bill. In this instance, this bill will require an appropriation clause that adjusts the FY 2011-12 Long Bill appropriations accordingly.

Bill Sponsor Amendments

Staff is not aware of any sponsor amendments to be offered.

Points to Consider

1. **This bill is a part of the Joint Budget Committee's FY 2011-12 budget balancing package.** If this legislation does not pass, General Fund expenditures will need to be reduced elsewhere in the FY 2011-12 budget by \$19.7 million.
2. The General Assembly appropriates lump sum amounts for the higher education institutions to manage all expenses. This fiscal analysis assumes that the General Assembly will follow prior practice and not adjust these lump sums for a change to a statewide personnel policy. However, this does not preclude the General Assembly from later reducing the FY 2011-12 appropriations for the Department of Higher Education to reflect this legislation's fiscal impact, or for any other reason. Staff notes that this legislation will affect those higher education employees who are PERA members in the same manner as other state employees, regardless of whether the appropriations are adjusted accordingly.

3. The Public Employees' Retirement Association estimates that the legislation will increase the unfunded liability for the State division by \$6.6 million, and increase the unfunded liability for the Judicial division by \$40,000. According to the market value of assets, the unfunded liability for the State division is \$8.4 billion, and the unfunded liability for the Judicial division is \$95.0 million (see PERA's 2009 Comprehensive Annual Financial Report, p.41).