

Colorado Legislative Council Staff Fiscal Note

**STATE and
STATUTORY PUBLIC ENTITY
FISCAL IMPACT**

Drafting Number: LLS 11-0656
Prime Sponsor(s): Sen. Steadman
 Rep. Becker

Date: January 25, 2011
Bill Status: Senate Finance
Fiscal Analyst: Kerry White (303-866-3469)

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

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
General Fund	(\$1,966,203)	
State Expenditures	(\$65,540,085)	
General Fund	(38,459,308)	
Multiple Cash Funds	(8,449,050)	
Reappropriated Funds	(14,110,440)	
Federal Funds	(4,521,287)	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

Recommended by the Joint Budget Committee, this bill makes a temporary, one-year reduction in the state's contribution to the Public Employees' Retirement Association (PERA). To offset this reduction, employees' member contribution rates are increased in the state and judicial divisions only. During FY 2011-12, salary-based PERA contribution rates will change as follows:

State Division

- state-troopers will increase their member contribution rate from 10 to 12.5 percent, while the employer contribution rate will decrease from 12.85 to 10.35 percent; and
- all other employees will increase their member contribution rate from 8 to 10.5 percent, while the employer contribution rate will decrease from 10.15 to 7.65 percent.

Judicial Division

- all employees will increase their member contribution rate from 8 to 10.5 percent, while the employer contribution rate will decrease from 13.66 to 11.16 percent.

Background

This bill continues the provisions of Senate Bill 10-146, which shifted 2.5 percent of the state's PERA contributions to employees for FY 2010-11. Employees of institutions of higher education that are PERA members participate in the contribution swap for the current fiscal year. However, the American Recovery and Reinvestment Act of 2009 prohibits the state from reducing appropriations to institutions of higher education during FY 2010-11.

State Revenue

By increasing their share of PERA contributions, this bill will reduce taxable income for state employees by \$65.5 million and state income tax collections by \$1,966,203 in FY 2011-12.

State Expenditures

This bill will decrease state expenditures by approximately \$65.5 million in FY 2011-12. Of this amount, \$38.5 million is General Fund, \$8.4 million is cash funds, \$14.1 million is reappropriated funds, and \$4.5 million is federal funds. Table 1 shows the reduction in state expenditures for FY 2011-12.

Table 1. Reduction in State Expenditures Under SB11-076			
Funding Source	State Agencies	Institutions of Higher Education	Total
General Fund	\$19,667,909	\$18,791,399	\$38,459,308
Multiple Cash Funds	8,449,050	-	8,449,050
Reappropriated Funds	4,425,502	9,684,938	14,110,440
Federal Funds	4,521,287	-	4,521,287
TOTAL	\$37,063,748	\$28,476,337	\$65,540,085

Statutory Public Entity Impact

Due to the funding structure of the PERA and depending on the actuarial valuation of the assets of the affected division, each member dollar is worth between \$0.70 and \$0.80 of an employer dollar. A member dollar is deposited into a member's account and earns interest. If a member leaves or withdraws his or her money, the PERA must provide a 50 percent match on the combined amount of the member's contributions plus interest. Shifting the payment of a portion of the state's employer contribution decreases the amount of funding available to the affected division and increases the amount payable to members that choose to leave the plan. The increase in unfunded liabilities is estimated to be \$6.6 million for the state division, and \$40,000 for the judicial division.

State Appropriations

Adjustments in appropriations for FY 2011-12 are shown in Table 2, below.

Table 2. Appropriations Adjustments under SB11-076					
Agency	Total Funds	GF	CF	RF	FF
Agriculture	\$357,628	\$77,249	\$254,242	\$0	\$26,137
Corrections	8,100,294	7,868,220	99,856	132,218	-
Education	786,246	318,823	71,025	111,527	284,871
Governor	1,839,413	101,526	20,740	1,637,698	79,449
Health Care Policy and Financing	1,627,418	714,435	56,118	-	856,865
Higher Education*	192,526	-	145,616	25,247	21,663
Human Services	5,261,559	3,034,793	205,236	1,196,670	824,860
Judicial	5,854,564	5,014,120	840,444	-	-
Labor and Employment	1,577,786	-	605,829	4,591	967,366
Law	701,637	139,022	124,967	420,208	17,440
Legislature	531,632	531,632	-	-	-
Local Affairs	278,598	66,014	38,943	109,656	63,985
Military and Veteran's Affairs	164,417	56,497	1,824	-	106,096
Natural Resources	2,209,502	384,244	1,478,456	74,295	272,507
Personnel	485,722	160,447	58,391	266,884	-
Public Health and Environment	1,967,573	162,746	682,218	230,685	891,924
Public Safety	2,079,251	442,356	1,431,196	102,366	103,333
Regulatory Agencies	840,724	24,058	725,567	86,308	4,791
Revenue	1,749,279	563,224	1,170,493	15,562	-
State	169,226	-	169,226	-	-
Transportation	11,587	-	-	11,587	-
Treasury	277,166	8,503	268,663	-	-
Total	\$37,063,748	\$19,667,909	\$8,449,050	\$4,425,502	\$4,521,287

* The General Assembly appropriates funding to institutions of higher education in a lump-sum. As the bill is silent on their treatment, this analysis assumes they will participate in the PERA shift, but not have their appropriations reduced.

Departments Contacted

Higher Education
Office of State Planning and Budgeting
Public Employees' Retirement Association

Judicial
Personnel and Administration