



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Revised Fiscal Note

(replaces fiscal note dated April 26, 2022)

<b>Drafting Number:</b>	LLS 22-0174	<b>Date:</b>	May 10, 2022
<b>Prime Sponsors:</b>	Rep. Bird; Sandridge Sen. Kolker; Priola	<b>Bill Status:</b>	Senate Introduction
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**Bill Topic:** COMPENSATORY DIRECT DISTRIBUTION TO PERA

<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill makes a direct distribution of \$380 million to the Public Employees' Retirement Association in FY 2022-23 in order to restore a suspended direct distribution payment of \$225 million to that was not made on July 1, 2020, due to pandemic-related budget cuts and to reduce future direct distribution to PERA in FY 2023-24 and FY 2024-25. It impacts state expenditures to a statutory public entity through FY 2024-25.

**Appropriation Summary:** No appropriation is required. The bill provides the State Treasurer with the authority to pay the warrant.

**Fiscal Note Status:** The revised fiscal note reflects the reengrossed bill. The bill was initially recommended by the Pension Review Commission.

**Table 1  
State Fiscal Impacts Under HB 22-1029**

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
<b>Revenue</b>		-	-	
<b>Expenditures</b>	Cash Funds	\$380.0 million	-	
	General Fund, Cash Funds, Reappropriated Funds		up to (\$190.0 million)	up to (\$27.5 million)
<b>Transfers</b>		-	-	
<b>Other Budget</b>		-	-	

## **Summary of Legislation**

The bill requires the State Treasurer to issue a warrant to the Public Employees' Retirement Association (PERA) from the PERA Payment Cash Fund for \$380.0 million on or as soon as possible after the bill's effective date. This amount reflects the suspended direct distribution payment to PERA of \$225.0 million from July 1, 2020, plus \$155.0 million in order to reduce two future direct distributions in FY 2023-24 and FY 2024-25. The future payments will be reduced based on the interest that accrues from the initial \$380 million distribution, as specified in the bill, as follows:

- for FY 2023-24, the payment is reduced by between \$155.0 million to \$190.0 million, resulting in a direct distribution payment of between \$35.0 million to \$70.0 million; and
- for FY 2024-25, the payment is reduced by up to \$27.6 million in FY 2024-25, resulting in a direct distribution payment of no more than \$197.5 million, unless the rate of return is zero or less, in which case there may be no reduction.

## **Background**

Senate Bill 18-200 created the requirement for an annual direct distribution to be paid to PERA each July 1 until the unfunded liabilities of the state, judicial, school, and Denver Public Schools divisional trusts are paid. PERA is required to credit these funds proportionally to the relevant divisional trusts based on the reported payroll for each participating division for the prior plan year ending December 31. The direct distribution is paid primarily from the General Fund, but may also come from cash funds—including the PERA Payment Cash Fund created by Senate Bill 21-228, which transferred \$380.0 million to the fund—reappropriated funds, and federal funds. House Bill 20-1379 suspended the July 1, 2020, direct distribution payment to PERA. Senate Bill 22-214, if passed, will transfer \$198.47 million to the PERA Payment Cash Fund.

For the 2020 calendar year, the unfunded actuarial accrued liability of the pension reported in their certified annual financial report was \$31.0 billion.

## **State Expenditures**

The bill will increase state expenditures by \$380.0 million in FY 2022-23 from the PERA Payment Cash Fund for distribution to PERA. The bill then reduces state expenditures by up to \$190.0 million in FY 2023-24 and up to \$27.6 million in FY 2024-25 from the General Fund, cash funds, and reappropriated funds to PERA.

## **Statutory Public Entity**

In FY 2022-23, the \$380.0 million will be credited proportionally toward the unfunded liability in the state, judicial, school, and Denver Public Schools divisional trusts. In FY 2023-24 and FY 2024-25, PERA will receive a reduced direct distribution.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State and Local Government Contacts

Joint Budget Committee Staff  
Treasury

Public Employees Retirement Association