



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 19-1217

FISCAL NOTE

Drafting Number: LLS 19-0240
Prime Sponsors: Rep. Becker, Sen. Court; Tate

Date: March 6, 2019
Bill Status: House Finance
Fiscal Analyst: Erin Reynolds | 303-866-4146, Erin.Reynolds@state.co.us

Bill Topic: PERA LOCAL GOVERNMENT DIVISION MEMBER CONTRIBUTION RATE

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill eliminates an employee contribution increase for members of the Public Employees' Retirement Association's local government division, which will increase state income tax revenue and decrease PERA revenue beginning in FY 2019-20.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This preliminary fiscal note reflects the introduced bill. While all agencies were canvassed for this fiscal note, not all agencies were able to respond with complete information within the time frames provided. The fiscal note will be updated if more information becomes available.

Table 1
State Fiscal Impacts Under HB 19-1217

Table with 4 columns: Category, Fund, FY 2019-20, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditure, Transfer, and TABOR Refund.

Summary of Legislation

This bill removes an increase in employee contributions for local government division members of the Public Employees' Retirement Association that, under current law, is to be phased-in over the next 3 fiscal years until it reaches 2 percent. Table 2 compares local government division member contribution rates under current law to the bill.

Table 2
Local Government Division Employee Contribution Rate Increase
Under Current Law and Under HB 19-1217

	Current Law	HB 19-1217
As of 7/1/19	8.75%	8.00%
As of 7/1/20	9.50%	8.00%
As of 7/1/21	10.00%	8.00%

State Revenue and Expenditures

The bill will increase state income tax collections to the General Fund by an estimated \$233,000 in FY 2019-20, \$483,000 in FY 2020-21, and \$667,000 in FY 2021-22 and subsequent years as a result of the elimination of the local government division employee contribution increase to PERA under current law. Because the bill no longer requires that 2 percent of employee salaries be contributed to PERA, it increases the share of salaries that are not tax deferred. This estimate applies the state income tax rate of 4.63 percent to PERA's revenue reduction under the bill.

TABOR refunds. The bill is expected to increase state General Fund obligations for TABOR refunds by \$233,000 in FY 2019-20. Under current law and the December 2018 forecast, the bill will correspondingly increase the amount refunded to taxpayers via sales tax refunds on income tax returns for tax year 2020. The state is not expected to collect a TABOR surplus in FY 2020-21, and FY 2021-22 is not in the current forecast period.

Local Government

While those employed by PERA's local government division will not pay an increased employee contribution rate to PERA over the next three fiscal years, this is not expected to impact the expenditures of any member local government. Changes to employee benefits can impact employee behavior related to hiring, retention, and retirement; however, the fiscal note has made no assumptions about these impacts.

Statutory Public Entity — Public Employees' Retirement Association

The elimination of the phased-in local government division employee contribution increase will decrease revenue to PERA by an estimated \$5.0 million in FY 2019-20, \$10.4 million in FY 2020-21, and \$14.4 million in FY 2021-22 and subsequent years, as shown in Table 3.

Table 3
PERA Revenue Reduction from the Local Government Division Under HB 19-1217

	FY 2019-20	FY 2020-21	FY 2021-22
Employee Contribution	(\$5.0 million)	(\$10.4 million)	(\$14.4 million)

The elimination of the local government division employee contribution increase is expected to increase the estimated amortization period necessary to eliminate the unfunded actuarial accrued liability in the local government division trust by four years, as shown in Table 4. This estimate utilizes the December 31, 2017, actuarial valuation of the PERA trusts, and uses PERA's assumed rate of investment return of 7.25 percent. The actual amortization period may differ.

Table 4
PERA Local Government Division Projected Years to Achieve Full Funding

Amortization Period Before SB 18-200	Amortization Period Under Current Law	Amortization Period Under HB 19-1217
54 years	15 years	19 years

Effective Date

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

State and Local Government Contacts

Counties Municipalities PERA Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.