



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-1267
Prime Sponsors: Rep. Ransom
Sen. Rankin

Date: May 26, 2020
Bill Status: House Appropriations
Fiscal Analyst: Erin Reynolds | 303-866-4146
Erin.Reynolds@state.co.us

Bill Topic: **SUSPEND DIRECT DISTRIBUTION TO PERA FOR FY 2020-21**

Summary of Fiscal Impact:

<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

Budget package bill. This bill suspends a \$225 million direct distribution of state funds to the Colorado Public Employee's Retirement Association scheduled to take place on July 1, 2020. It will reduce state expenditures in FY 2020-21.

Appropriation Summary: For FY 2020-21, the bill includes a reduction in appropriations of \$225 million from multiple state agencies.

Fiscal Note Status: This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2020-21 budget balancing package.

Table 1
State Fiscal Impacts Under HB 20-1379

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	General Fund	(\$201,518,047)	-
	Cash Funds	(\$16,312,045)	-
	Reappropriated Funds	(\$6,029,710)	-
	Federal Funds	(\$1,140,198)	-
	Total	(\$225,000,000)	-
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

This bill suspends a \$225 million direct distribution of state funds to the Colorado Public Employee's Retirement Association (PERA) that is scheduled to take place on July 1, 2020.

Background

Since FY 2018-19, Senate Bill 18-200 has required the state to annually distribute \$225 million to PERA on July 1 each year until the unfunded liabilities of the state, judicial, school, and Denver Public Schools (DPS) 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, reappropriated funds, and federal funds. Every year PERA must determine the unfunded liability status of each division by September 1, and notify the Office of State Planning and Budgeting and the Joint Budget Committee when a division's unfunded liability has been paid and the direct distribution is no longer required.

State Expenditures

The bill decreases state expenditures by \$225 million, as shown in Table 1 above. Of this amount, \$54.1 million is from state agency common policy collections, which includes General Fund, cash funds, reappropriated funds, federal funds, and \$5.2 million from the continuously appropriated State Highway Fund. The remainder of funding is paid with General Fund.

Statutory Public Entity

State contributions to PERA will decrease by \$225 million in FY 2020-21, which will reduce funding to all divisions, with the exception of the Local Government division, as follows:

- (\$75,594,000) to the State Division;
- (\$129,334,000) to the School Division;
- (\$1,340,000) to the Judicial Division; and
- (\$18,732,000) to the Denver Public Schools Division.

According to PERA's actuaries, the loss of the direct distribution for FY 2020-21, in isolation, is not projected to spur the 2019 automatic adjustment provision (AAP). For informational purposes, the 2018 AAP assessment is scheduled to begin July 1, 2020.

Effective Date

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

State Appropriations

The bill reduces state appropriations by \$225 million in FY 2020-21, as outlined in the bill and summarized below:

- a reduction of \$54.1 million is from state agency common policy collections, which includes General Fund, cash funds, reappropriated funds, federal funds, and \$5.2 million from the continuously appropriated State Highway Fund; and
- a reduction of \$170.9 million in General Fund.

State and Local Government Contacts

Joint Budget Committee

PERA

Treasury