



**Legislative Council Staff**  
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# Fiscal Note

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**Drafting Number:** LLS 23-0230  
**Prime Sponsors:** Sen. Kolker  
Rep. Bird

**Date:** January 20, 2023  
**Bill Status:** Senate Finance  
**Fiscal Analyst:** John Armstrong | 303-866-6289  
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**Bill Topic:** **COMPENSATORY DIRECT DISTRIBUTION TO PERA**

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**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

The bill requires a payment to be made to the Public Employees' Retirement Association to fully recompense PERA for the cancellation of a previously scheduled July 1, 2020, direct distribution. It will result in a one-time increase in state spending.

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

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**Fiscal Note Status:** The fiscal note reflects the introduced bill.

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**Table 1**  
**State Fiscal Impacts Under SB 23-056**

		<b>Budget Year</b> <b>FY 2023-24</b>	<b>Out Year</b> <b>FY 2024-25</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$30,594,501	-
	Cash Funds	\$4,455,499	-
	<b>Total Expenditures</b>	<b>\$35,050,000</b>	-
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>		-	-

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## **Summary of Legislation**

The bill requires the State Treasurer to issue a warrant to the Public Employees' Retirement Association (PERA) in the amount of \$35,050,000 using the balance of the PERA Payment Cash Fund, with the remainder paid by unrestricted General Fund. The \$35.1 million payment is intended to fully recompense PERA for interest earnings on the repealed July 1, 2020, direct distribution payment.

## **Background**

Pursuant to Senate Bill 18-200, the State Treasurer is required to issue an annual warrant on July 1 to PERA in the amount of \$225.0 million (the direct distribution) until there are no unfunded actuarial accrued liabilities in any PERA division. House Bill 20-1379 eliminated the July 1, 2020, direct distribution. House Bill 22-1029, as enacted, authorized a \$380.0 million payment to PERA to compensate for the \$225.0 million suspended direct distribution payment, plus a \$155.0 million prepayment to reduce two future direct distributions in FY 2023-24 and FY 2024-25 by amounts to be determined based on PERA's interest earnings. The payment amount of \$35.1 million in this bill was determined by PERA based on the estimated shortfall remaining, after accounting for payments under HB 22-1029 and what PERA would have earned had the July 1, 2020, direct distribution payment not been suspended, based on a 16.1 percent rate of return for 2021.

For the 2021 calendar year, PERA's unfunded actuarial accrued liability reported in their Certified Annual Financial Report was \$27.2 billion, down from \$31.0 billion the year prior. The PERA Payment Cash Fund has a current balance of \$4,455,499.

## **State Expenditures**

In FY 2023-24, the bill creates a one-time expenditure of \$35,050,000 for the State Treasurer to issue a warrant to PERA. This payment is estimated to include \$30.6 million from the General Fund and \$4.5 million from the PERA Payment Cash Fund.

## **Statutory Public Entity**

In FY 2023-24, PERA will receive an additional \$35.1 million in state funds, which will be credited proportionally to the unfunded liability in the State, Judicial, School, and Denver Public Schools Divisional Trusts.

## **Effective Date**

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

## **State and Local Government Contacts**

LCS Economists

PERA

Treasury