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Fiscal Note

Drafting Number: LLS 21-0947 Date: April 05, 2021
Prime Sponsors: Sen. Hansen; Moreno Bill Status: Senate Appropriations
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Bill Topic: DIRECT DISTRIBUTION CASH FUND

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

Budget package bill. The bill creates the Public Employees' Retirement Association Payment Cash Fund and requires the FY 2022-23 direct distribution to be paid from the fund. The bill creates a one-time transfer in the current FY 2020-21.

Appropriation Summary: For the current FY 2020-21, the bill includes an appropriation of \$380.0 million to Office of the State Treasurer.

Fiscal Note Status: The fiscal note reflects the introduced bill, as recommended by the Joint Budget Committee.

Table 1
State Fiscal Impacts Under SB 21-228

Table with 4 columns: Category, Sub-category, Current Year FY 2020-21, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund, Reappropriated Funds, Cash Funds, Total Expenditures), Transfers (General Fund, Cash Funds, Net Transfer), and TABOR Refund.

1 FY 2022-23 direct distribution expenditures are based on amounts in the FY 2021-22 Long Bill.

Summary of Legislation

The bill creates the Public Employees' Retirement Association (PERA) Payment Cash Fund in the State Treasury to consist of money appropriated or transferred by the General Assembly and any interest payments. The State Treasurer is required to make the \$225.0 million direct distribution payment due to PERA on July 1, 2022, from the fund. Subject to annual appropriation, money in the fund may be used by the state for any employer contribution or disbursement to PERA.

Background

Pursuant to Senate Bill 18-200, the state is required to make a direct distribution of \$225.0 million on July 1 each year to PERA until the unfunded liabilities of the state, judicial, school, and Denver Public Schools (DPS) divisional trusts are paid. HB 20-1379 suspended the direct distribution for one year. 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. 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 Transfers

The bill appropriates \$380.0 million from the General Fund to the PERA Payment Cash Fund in the current FY 2020-21. This transfer represents an upfront contribution toward future-year PERA direct distribution payments, as described in the State Expenditures section below.

State Expenditures

While the bill does not increase net expenditures for PERA direct distribution payments, it is expected to shift \$225.0 million in required FY 2022-23 spending from the General Fund and reappropriated funds to the newly created PERA Payment Cash Fund. Based on the fund split in the FY 2021-22 Long Bill, spending from the new cash fund will reduce General Fund spending by \$167.4 million and reappropriated funds by \$57.6 million in FY 2022-23. After making the required direct distribution payment to PERA on July 1, 2022, \$155.0 million will remain in the PERA Payment Cash Fund for annual appropriation by the General Assembly.

Effective Date

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

State Appropriations

For the current FY 2020-21, the bill includes an appropriation of \$380,000,000 from the General Fund to the PERA Payment Cash Fund.

State and Local Government Contacts

Joint Budget Committee

Personnel

PERA

Treasury