



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 22-0217	Date:	February 14, 2022
Prime Sponsors:	Rep. McLachlan; Catlin Sen. Sonnenberg; Zenzinger	Bill Status:	House Education
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Bill Topic: PERA SERVICE RETIREE EMPLOYMENT IN RURAL SCHOOLS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School Districts
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill expands and makes permanent the Rural School District Critical Shortage program. The bill will impact the Public Employees' Retirement Association and rural school districts beginning in the current FY 2021-22.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The bill makes permanent the Rural School District Critical Shortage program that allows Public Employees' Retirement Association (PERA) service retirees to work full-time without any reduction in their retirement benefits for a rural school district that has a critical shortage of qualified individuals. The program is currently scheduled to repeal on July 1, 2023. The bill also adds school nurses and paraprofessionals to those who are eligible for program participation. PERA is required to submit reporting by December 1, 2025 on the program, and on each December 1 each fifth year thereafter.

Background

House Bill 17-1176 created the critical shortage program for retired teachers, school bus drivers, or food services cooks. Both the employing school district and the working retiree must provide full payment of all contributions and disbursements to PERA during the time of employment, which may not exceed six consecutive years. PERA submitted its statutorily required report on the program in December 2020: <https://www.copera.org/files/7769cd4d5/Critical+Shortage+Report+1-21.pdf>. At that point in time, 277 individuals had participated in the critical shortage program, filling over 600 positions. Of these participants, 76 individuals retired and were rehired under the critical shortage program within the same year.

Based on the October 2018 student count, 146 out of 178 school districts are designated as rural school districts. Of these, 107 are considered small rural school districts enrolling fewer than 1,000 students, and 39 are rural districts enrolling more than 1,000 students, but fewer than 6,500 students.

Statutory Public Entity

The overall impact of the bill on PERA will vary considerably depending on member behavior, as discussed below.

Utilization by currently retired eligible school employees. Currently retired school employees who are rehired by school districts will generate additional revenue to PERA from employee contributions and employer disbursements, assuming those vacancies would otherwise go unfilled.

Utilization by eligible school employees who retire early as a result of the bill. According to the PERA report referenced in the Background section above, utilization data indicate that the program has incentivized some early retirements from PERA. Assuming that 25 percent of eligible members accelerate retirement by one year, or 150 early retirements over the next twenty years, the School Division's unfunded actuarial liability would increase by approximately \$26.95 million and the funded percentage would decrease by approximately 0.04 percent. In addition, the division's Health Care Trust Fund liability would increase by \$60,000.

Local Government

The bill may impact rural school districts in several ways that potentially impact staffing costs. It may increase the pool of available staff, but, as described above, may incentivize early retirement among some full-time staff near retirement. Any impact on costs will vary by rural school district, but given that the total number of staff required on a daily basis is not changed by the bill, the overall impact of any shift in type of personnel is assumed to be minimal.

Effective Date

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

State and Local Government Contacts

Education

Public Employees' Retirement Association

School Districts