



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated January 20,2023)

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

Date: April 20, 2023
Bill Status: House Finance
Fiscal Analyst: John Armstrong | 303-866-6289
john.armstrong@coleg.gov

Bill Topic: **COMPENSATORY DIRECT DISTRIBUTION TO PERA**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill requires a payment to be made to the Public Employees' Retirement Association to 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.

Appropriation Summary:

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

Fiscal Note Status:

The revised fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under SB 23-056

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	General Fund	\$10,000,000	-
	Cash Funds	\$4,455,499	-
	Total Expenditures	\$14,455,499	-
Transfers		-	-
Other Budget Impacts		-	-

Summary of Legislation

The bill requires the State Treasurer to issue a warrant to the Public Employees' Retirement Association (PERA) in the amount of the balance of the PERA Payment Cash Fund, plus \$10 million in General Fund. The payment is intended to recompense PERA for interest earnings on the repealed July 1, 2020, direct distribution payment, in addition to the partial recompensation provided in previous legislation. The bill also repeals the PERA Payment Cash Fund on July 1, 2023.

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 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. According to PERA, after accounting for these subsequent payments, it requires \$35.1 million to fully compensate for the cancelled 2020 payment and lost interest earnings.

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 \$14,455,409 for the State Treasurer to issue a warrant to PERA. This payment is estimated to include \$10 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 \$14.5 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