SUBJECT: State retirement contributions for certain junior-college employees

COMMITTEE: Pensions — Favorable, without amendment

VOTE: 6 ayes — Callegari, Alonzo, Branch, Frullo, P. King, Stephenson

0 nays

1 absent — Gutierrez

SENATE VOTE: On final passage, May 1 — 31-0

WITNESSES: No public hearing

DIGEST: SB 1812 would implement a formula to determine the state's share of the benefits and retirement contributions in the Teachers Retirement System, Optional Retirement Program, and Employees Retirement System for certain employees of public junior college employees.

The state's share of these payments would be determined by the number of employees in each of three different classes:

- The state would pay half of the employer's share of retirement contributions for employees who otherwise were eligible for membership in these programs and were instructional or administrative employees whose salaries may be fully paid from funds appropriated under the General Appropriations Act, regardless of whether such salaries actually were paid from appropriated funds.

- The state would pay none of the employer's share of retirement contributions for employees who were not instructional or administrative employees but otherwise were eligible for membership in in these programs.

- The state would pay none of the employer's share of the contributions for employees who were not otherwise eligible.

The number of qualified employees for whom the state would cover have of the employer contribution would not be adjusted in a proportion greater than the change in student enrollment at each college. A college would be allowed to petition the Legislative Budget Board to maintain the number of eligible employees up to 98 percent of the level of the previous biennium.

The bill would impose certain conforming reporting requirements on the two-year institutions.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

SUPPORTERS SAY:

SB 1812 would place in statute an agreement between state appropriators and community colleges regarding the appropriate level of state funding toward the benefits of certain employees at two-year institutions of higher education. SB 1812 would require the state to cover half of the costs of health insurance and retirement benefits for instructional and administrative employees at public community and junior colleges.

The bill would save the state money. According to the Legislative Budget Board's fiscal note, SB 1812 would mean a positive impact of $69.1 million to general revenue in fiscal 2014-15 because it would lower substantially the state’s required contributions from their historical levels. SB 1812 would resolve an ongoing funding dispute.

The bill would protect the state from sharp increases in these funding costs by limiting the number of eligible employees for whom the state would fund coverage. The growth limit would be the percentage increase in student contact hours. In addition, the bill would allow for an appeal by colleges that experience losses in contact hours and thus a loss of coverage. The bill would allow those colleges to appeal to the Legislative Budget Board to maintain the number of eligible employees up to 98 percent of the level of the prior biennium.

Junior colleges have local sources of revenue and they make their own workforce policies, including how generous their benefits will be. It is appropriate that the state limit its contributions and set the formula in statute.

OPPONENTS SAY:

By setting the state's share of benefits and retirement premiums at 50 percent or in some cases none of the employer's share, SB 1812 would pass costs down to local entities and require them to fund the difference. Making these important recruitment tools more expensive for community colleges would mean they must raise either tuition or local property taxes, cut funding to other programs, or raise employee premiums. If employee premiums are raised or if there is uncertainty at the local level as to how they would pay for benefits and retirement, retention and recruitment could be hurt.