

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/02/2012
POSITION: Oppose
SPONSOR: California Federation of Teachers

BILL NUMBER: AB 1819
AUTHOR: Ammiano, Tom

BILL SUMMARY: Charter schools: State Teachers' Retirement Plan.

This bill would require employees of charter schools to be covered by the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS).

FISCAL SUMMARY

For CalSTRS, this bill would increase the state's General Fund contribution to CalSTRS by approximately \$5.1 million beginning in 2014-15. The state's additional contribution would be \$9.4 million the following year due to payroll growth and anticipated increases in the state's contribution rate. For CalPERS, this bill would not affect the state's contribution to CalPERS because the state does not make contributions on behalf of non-teaching school employees.

According to CalSTRS, teachers in 81 out of 989 active charter schools are not covered by CalSTRS. Payroll data is not available, but assuming each non-CalSTRS-covered charter school has 32 teachers with an average salary of \$56,200, annual payroll costs would be \$145,670,400, which is the basis of the cost estimates above. The state would be required to contribute a percentage of that payroll to CalSTRS, as established by statute. Because the state's fiscal year contribution is based on payroll data from two years prior, the state would not feel the effect of the bill until 2014-15.

The bill also could add costs to charter schools to pay for pension benefits for teachers and staff through CalSTRS and CalPERS, assuming those charter schools are currently offering employees a lower-cost retirement plan or only Social Security.

Administrative costs would be minimal and absorbable for the two pension systems.

COMMENTS

Finance is opposed to this bill because it would increase the state's contribution from the General Fund to CalSTRS and reduce financial flexibility for charter schools.

Since the state authorized charter schools in 1992, charter schools have been permitted, but not required, to cover employees under CalSTRS and CalPERS. This bill would preempt local charter school decisions about compensation and benefits, which appears contrary to the policy intent of charter school flexibility. The bill also could increase costs to charter schools at a time of cutbacks.

This bill was amended to stipulate that the provisions would not apply if the bill results in an adverse tax consequence. The Internal Revenue Service (IRS) is in preliminary discussions about re-defining what constitutes a governmental plan. The IRS might exclude nonprofit organizations, which would include 10,000 CalSTRS-covered teachers who work at charter schools that are owned and operated by nonprofits, and several thousand non-teaching staff at charter schools that are covered by CalPERS.

Analyst/Principal (0933) K.Martone Date Program Budget Manager Diana Ducay Date
Department Deputy Director Date
Governor's Office: By: Date: Position Approved Position Disapproved
BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

**BILL ANALYSIS--(CONTINUED)**

Form DF-43

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Ammiano, Tom

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**COMMENTS** (continued)

CalSTRS has taken a neutral position on the bill. CalPERS has not yet taken a position on the bill.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
1900/PERS	SO	No		----	No/Minor Fiscal Impact	----		0830
1920/STRS	SO	No		----	No/Minor Fiscal Impact	----		0001
6300/Teach Retire	SO	No	C	0	C	5,105	C	9,443 0001
<u>Fund Code</u>	<u>Title</u>							
0001	General Fund							
0830	Public Employees' Retirement Fund							