

SB 1566 -1, -2, -5, -6 STAFF MEASURE SUMMARY

Senate Committee On Workforce

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/6, 2/8, 2/13, 2/15

WHAT THE MEASURE DOES:

Directs funds from multiple sources to the Public Employees Retirement System (PERS) for the purpose of crediting side accounts of school districts, community colleges, and public universities.

- Creates and appropriates moneys to Employer Incentive Fund to match portions of side accounts of participating public employers' contributions to PERS.
- Directs Department of Revenue to develop and administer tax amnesty program of limited duration and transfer certain moneys collected under program to PERS side accounts for school districts.
- Directs Department of Revenue to calculate and transfer to PERS Fund for crediting to side accounts of school districts the excess proceeds of state debt collection.
- Directs Department of Administrative Services to calculate, and Department of Revenue to transfer to PERS Fund for crediting to side accounts of school districts, the excess proceeds of capital gains taxes and estate taxes.
- Directs Department of Administrative Services to calculate, and Department of Revenue to transfer to PERS Fund for crediting to side accounts of school districts, the excess proceeds of marijuana tax and wine, cider, and malt beverage privilege tax.
- Directs transfer of excess State Lottery Fund revenues to PERS fund for crediting to side accounts of school district, community colleges, and public universities, above estimates, after payment of constitutionally required distributions from the Fund.
- Directs proceeds received by State of Oregon from settlement of a lawsuit, in which state is a party and proceeds are not dedicated by settlement agreement or law to a specific purpose, to the PERS Fund for crediting to side accounts of school districts.
- Directs Department of State Lands (DSL) to make available to PERS Fund on January 1, 2019, 35 percent of proceeds from sale of unclaimed property deposited in Common School Fund Account before January 1, 2019, to which state has not taken title for distribution through Common School Fund.
- Directs State Treasurer to study feasibility and prudence of borrowing monies from Short Term Fund for investments in PERS Fund, and to report results to Legislative Assembly no later than September 30, 2019.
- Provides direct review by Supreme Court. Takes effect on 91st day after adjournment *sine die*.

ISSUES DISCUSSED:

- Impacts on public education from costs of Public Employee Retirement System (PERS) Unfunded Actuarial Liability (UAL)
- Findings of Governor's 2017 PERS UAL Task Force
- Explanation of provisions in -1 amendment
- Financial estimates of amounts to be transferred to PERS side accounts under measure
- Method of allocating benefits among schools

EFFECT OF AMENDMENT:

-1 Clarifies that Employer Incentive Fund limits applications for first 180 days to employers whose unfunded actuarial liability is more than 200 percent of payroll for PERS members, and then opens to all participating public employers. Moves dates relating to tax amnesty program forward one year and clarifies that eligibility for taxpayers who have filed for bankruptcy protection is limited to open cases. Changes years for calculating proceeds from debt collection to 2019, 2021, and 2023, and adds language that calculations of proceeds from debt collection exclude some types of

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debts. Changes comparisons required for calculations of proceeds from capital gains tax and estate tax to determine growth trend in annual tax liability during 10 previous tax years and compare to recent tax liability. Changes years for calculating proceeds from marijuana tax and from wine, cider, and malt beverage privilege tax to the three biennia between 2017 and 2023. Reduces amount of excess proceeds from marijuana tax to be transferred to side accounts by subtracting 20 percent of actual revenues required to be transferred to cities and counties. Clarifies that unclaimed prizes should be included in calculations of proceeds from lottery revenues. Replaces sections concerning proceeds from unclaimed property. Provides for certain proceeds from unclaimed property to be segregated within Common School Fund and distributed to a side account for schools, depending on the claim rate for unclaimed property. Transfers some proceeds to Unclaimed Property Revolving Fund to pay claims if claim rate rises over certain threshold. Provides state is not obligated to pay claims for unclaimed property from General Fund or sources other than moneys appropriated or made available by Legislative Assembly.

-2 Deletes Tax Amnesty Program.

-5 Requested by Senator Johnson. Adds provision allowing public employer who contributes \$10 million or more to PERS side account to choose amortization period of six, 10, 16, or 20 years for use of that payment to offset employer's required contributions to system.

-6 Replaces -1 amendment.

- For Employer Incentive Fund, clarifies that applications for first 180 days are limited to employers whose unfunded actuarial liability is more than 200 percent of payroll for PERS members, then opens to all participating public employers; deletes requirement for State Treasurer to invest fund assets to achieve highest rate of return possible.
- For tax amnesty program, moves dates forward one year; clarifies eligibility for taxpayers who have filed for bankruptcy protection.
- For proceeds from debt collection, changes years of calculations to biennia between 2019 and 2023; specifies that calculation includes only debts owed to General Fund; changes calculation to compare average for three fiscal years to last fiscal year; establishes that calculations are based on agencies' required reports to Legislative Fiscal Office; clarifies that transfer to PERS fund excludes amount required to be returned to taxpayers under ORS 291.349 (Oregon kicker); requires coordination of transfer at least once each biennium; repeals section on December 31, 2024.
- For proceeds from capital gains and estate tax, changes calculation to compare growth trend in annual tax liability over five biennia and extrapolate to next biennium; changes dates for calculations.
- For proceeds from marijuana tax and from wine, cider, and malt beverage privilege tax, changes calculation to three biennia between 2017 and 2023; reduces amount of excess proceeds from marijuana tax to be transferred to side accounts by subtracting 20 percent of actual revenues required to be transferred to cities and counties.
- For proceeds from lottery revenues, clarifies that calculation includes unclaimed prizes; adjusts dates for forecasting and calculations; changes fund from which amounts are paid to PERS to Administrative Services Economic Development Fund.
- For proceeds from lawsuit settlements, clarifies that it refers to proceeds collected by Department of Justice on behalf of state agencies.
- For proceeds from unclaimed property, requires Department of State Lands to transfer to PERS Fund all or part of interest earned by unclaimed property deposited in Common School Fund Account in previous calendar year to which state has not taken title; repeals section on January 2, 2027.

BACKGROUND:

The Public Employees Retirement System (PERS) enables public employers to provide their employees with retirement benefits. State government, public schools, community colleges, and many local governments participate in PERS, including approximately 925 employers and covering about 95 percent of all public employees in Oregon. PERS contains approximately 347,000 members, including 168,000 active, 43,000 inactive, and 136,000 retired.

This Summary has not been adopted or officially endorsed by action of the committee.

Approximately 32 percent of members are currently eligible to retire by age or years of service.

The retirement benefits paid to PERS members are funded by a combination of participating employer contributions and earnings on invested funds. Some employers have made advance payments on their contributions, deposited in side accounts. When the amount of PERS funds anticipated to be available falls below the amount necessary to pay projected benefits, the shortfall is called the Unfunded Actuarial Liability (UAL). At the end of 2016, the UAL was \$19.9 billion. Not including the \$5.4 billion in employer side accounts at the end of 2016, the PERS liability was estimated to be 75% funded (79% funded with side accounts).

In 2017, Governor Kate Brown appointed a task force to identify options to generate additional funding to reduce the PERS UAL by up to \$5 billion dollars over the next five years. The task force report, submitted to the Governor on November 1, 2017, did not present recommendations but outlined a series of options and related considerations for the Governor's review. Following review of the task force report, the Governor proposed this measure to provide additional funding for PERS by creating an Employer Incentive Fund to match certain lump sum contributions by participating PERS employers and directing proceeds from various sources of revenue to side accounts for schools.