

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2456 - A

Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal Office

Revised

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Measure Description:

Prohibits Public Employees Retirement Board from paying increased benefit by reason of state income taxation of payments made by board if person receiving payments does not pay Oregon income tax on retirement benefits.

Government Unit(s) Affected:

Judicial Department, Public Employees Retirement System (PERS), Local Governments

Summary of Fiscal Impact:

	2011-13 Biennium	2013-15 Biennium
General Fund	59,216	0
Other Funds	570,412	0
Other Funds (non-limited)	(225,000)	(300,000)
Total Funds	\$404,628	\$(300,000)
Positions	1	0
FTE	0.75	0.00

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

The measure prohibits the Public Employees Retirement Board (PERB) and any public employer from paying an increased benefit related to the tax remedy provisions provided by Oregon Laws 1995, chapter 569, to a person who is a non-resident of Oregon and not subject to Oregon personal income tax. The measure applies to those persons who retire or withdraw after January 1, 2012. Provisions of the bill create allowances in statute for the sharing of taxpayer information by the Department of Revenue and the PERB for the purpose of determining if a payee is ineligible for the increased benefit payment.

The measure also confers jurisdiction over certain provisions of the measure to determine if the act breach certain contracts between members of the Public Employees Retirement System and their employers, violates terms of specific settlement agreements, or violate any constitutional provisions. Any petition for action related to the act must be filed within 60 days of the effective date of the act and proceedings for review would be given priority over all other matters before the Supreme Court.

There are two significant cost components for the PERB in implementing this measure: information technology system modifications and a manual work-around until the automated system can be completed. PERB estimates that the system modifications to their jClarety and Filenet systems would require 3,560 hours to provide the functionality to add or remove the tax remedy from benefit payments for a total one-time cost of \$445,000 (3,560 hours at \$125/hour) based on internal project management and methodologies. The agency estimates that this work could be completed by June 30, 2013. Until then the PERB would implement a manual work-around that would require a part-time, limited duration 0.75 FTE position at a cost of \$96,833 during the 2011-13 biennium, including related supply and office

expenses. In addition, the agency anticipates overtime expenses of \$28,579 for current staff related to the manual processing of withdrawals affected by this bill until the permanent system is completed.

The PERB estimates that benefit payments may be reduced by \$10,000 to \$15,000 per month (\$225,000 Non-limited Other Funds during the 2011-13 biennium) as a result of the bill. The reduction of benefit payments may result in a reduction of employer rates, but changes to the actuarial valuation affecting those rates would not be realized during the next two biennia.

The fiscal impact to the Judicial Department (OJD) is indeterminate. If a petition were to be filed the court may need to appoint a special master to conduct one or more hearings for the submission of evidence and to prepare findings of fact for the court's consideration.