

# COMMUNITY COLLEGE UPDATE

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## **Senate and Assembly Take Action on CalSTRS Proposal**

As mentioned in our previous article, “LAO Recommendations on CalSTRS Rate Relief and SCFF Hold Harmless,” in the May 17, 2019, *Community College Update*, the Senate Budget Subcommittee #4 on State Administration and General Government took action to provide additional funds to reduce employer contribution rates for both the California State Teachers’ Retirement System (CalSTRS) and the California Public Employees’ Retirement System (CalPERS).

Specifically, the Subcommittee voted to provide \$630 million in one-time, non-Proposition 98 funds, \$130 million above Governor Gavin Newsom’s proposal, to reduce the 2019-20 CalSTRS employer contribution rates from 18.13% to 16.33%. The subcommittee also approved \$648 million in one-time, non-Proposition 98 funds, \$238 million above the Governor’s proposal, to reduce the 2020-21 CalSTRS employer contribution rates from 19.1% to 17.3%. The Subcommittee approved, as proposed, the Governor’s \$2.3 billion proposal to reduce the employers’ share of the CalSTRS unfunded liability and reduce employer contribution rates long term, which is predicted to result in a 0.5% reduction in employer contributions beginning in 2021-22.

Additionally, the subcommittee voted to provide \$257 million to reduce the CalPERS school employer contribution rate from 20.73% to 18.93% and provide \$264 million to reduce the 2020-21 CalPERS rate from 23.6% to 21.8%. Governor Newsom’s revised State Budget proposal does not provide any relief to employers on the CalPERS side.

On Wednesday, May 22, 2019, the Assembly Budget Subcommittee #2 on Education Finance approved Governor Newsom’s \$3.15 billion proposal for one-time, non-Proposition 98 funds to provide relief to the employer share of the CalSTRS unfunded liability and reduce the employer contribution rates accordingly.

Additionally, the Subcommittee voted to approve \$1.5 billion in one-time non-Proposition 98 funds for the CalPERS unfunded liability on behalf of school employers. Specifically, \$350 million would be provided to pay down employer contribution rates in 2019-20 and 2020-21 (\$175 million each year) while \$1.15 billion is paid toward the school employer long term unfunded liability.

Once the Assembly officially approves their version of the Budget, these proposals will go into Conference Committee with the Senate, where they will negotiate the details with the Newsom Administration before sending the 2019-20 Budget package to the Governor by the constitutional deadline of June 15.