From: Reimler, Ben (MDOR)
To: Lisa Diesslin
Cc: Bayers, Joanna (MDOR); Johnston, Beth (MDOR)
Subject: HF 1678 // MDOR Feedback
Date: Tuesday, March 2, 2021 11:07:37 AM
Attachments: image007.png

Lisa,

Good morning. We're reaching out in regards to HF 1678. The intent of the aid program was to help employers offset an increase to their PERA contributions that now happened more than 20 years ago. Some stakeholders describe the aid more as general-purpose aid for public employers, but the law doesn't allow for fresh annual data like general-purpose aid programs such as Local Government Aid or County Program Aid do. The baseline remains 1997. There are a number of concerns with simply continuing the program as described in existing statute.

- Only PERA units that existed in 1997 can qualify for aid. It's not clear why this particular group of PERA units still needs assistance for another nearly 30 years, while no units created since that time are able to receive similar assistance. If legislators want to help all current public employers with this program, changes are needed to meet that policy goal.
- The program has been a challenge to administer and DOR would need PERA to be an active partner in administering this aid. A review of the 2012 payroll data demonstrated that DOR had not been notified of a number of units that had apparently been consolidated, privatized, or disbanded, yet their "parent" jurisdiction was still receiving aid for that unit.

If lawmakers decide to revive the program, the law should be amended to provide a fresh starting point. This includes:

- Make the aid effective for aids payable in 2022 and thereafter. The earliest aid could resume is for aids payable in 2022 due to certification requirements.
- For aid payable in 2022 and thereafter, a new calculation is established based on fiscal year 2020 payroll and a percentage that would need to be determined, possibly based on the desired dollar amount the legislature wants to be distributed (the percentage for the program established in 1997 was 0.35%). This would allow inclusion of all current employers in the plan, rather than just those that existed in 1997. It would also ensure that payments are not being made to entities that should no longer qualify for aid.
- PERA would be required to provide a complete annual payroll report to the commissioner of revenue by June 1 each year, which would include information about any employer units that have disbanded, privatized, or consolidated.
- Reductions in aid should be based on specified percentage in payroll decreases.
- Aid amounts less than $10 would not be payable.
- Add language to describe adjusting aid for consolidations.

We are happy to work with the Pension Commission and legislators on language that can update this aid program so it is administrable and effective. Please reach out to us with additional questions.

Thank you.

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