

BILL NUMBER: [SB 1343](#) (Leyva) as amended March 22, 2022

SUMMARY

SB 1343 requires charter schools authorized on and after January 1, 2023, to participate in CalSTRS and CalPERS and requires employers that report directly to CalSTRS to requisition up to three months of estimated charter school contributions from the charter school's apportionment for the purpose of paying contributions, as well as amounts necessary to pay penalties and interest. The bill also requires the chartering authority to notify CalSTRS and CalPERS of the approval of the charter school petition within 30 calendar days of its approval. The bill does not apply to employees of a charter school if the employee was not already a member of CalSTRS or CalPERS prior to January 1, 2023, unless the employee requests to become a member when the charter school is reauthorized.

RECOMMENDATION:

Neutral, if amended to add additional notification requirements for the chartering authority and to clarify the intent of the author to have the bill only apply to new charter schools. The board's policy is to take a neutral position on legislation that does not significantly or adversely impact the benefits or services provided through the funds administered by CalSTRS or the administration of the retirement plans.

REASON FOR THE BILL

According to the author, charter schools funded with public dollars should ensure that their employees are afforded the same retirement opportunities as all other public school employees.

ANALYSIS

Existing Law:

The Charter Schools Act of 1992 authorizes the establishment and operation of charter schools. Under existing law, a charter school must indicate the manner by which staff members will be covered by CalSTRS, CalPERS, Social Security or another retirement option in its charter. If a charter school chooses to make CalSTRS available, all provisions of the Teachers' Retirement Law apply in the same manner that they do to other California public schools. Full-time educators performing creditable service automatically become members of the CalSTRS Defined Benefit Program and have irrevocable coverage, unless they have previous service covered by CalPERS and choose to remain covered by CalPERS. If a charter school offers CalSTRS, CalPERS or both, it must inform all applicants of what coverage they would have and that accepting employment in the charter school may exclude them from further coverage in their current retirement system.

This Bill:

SB 1343 requires:

- Charter schools authorized on and after January 1, 2023, participate in CalSTRS and CalPERS.
- Employers that report directly to CalSTRS to requisition an amount not to exceed three months of estimated charter school contributions from the charter school's apportionment

for the purpose of paying contributions, as well as amounts necessary to pay penalties and interest due from the charter school.

- The chartering authority to notify CalSTRS and CalPERS of the approval of the charter school petition within 30 calendar days of its approval.

SB 1343 specifies that it does not apply to an employee of a charter school, if prior to January 1, 2023, the employee was not already a member of CalSTRS or CalPERS, unless the employee requests to become a member when the charter school is reauthorized. Additionally, the bill will not apply in the event that it would cause CalSTRS or its members to incur adverse tax consequences under the Internal Revenue Code.

All provisions of the Teachers' Retirement Law continue to apply to charter schools in the same manner that they do to other California public schools. This includes mandatory coverage for those who meet the conditions of membership. Under these provisions, there is no change to the way CalSTRS serves charter schools.

In order to ensure CalSTRS can administer the provisions of SB 1343, amendments are recommended to require chartering authorities to notify CalSTRS within 30 calendar days of when a charter renewal is granted or denied, when a charter is revoked and when a charter school ceased operation. Additionally, amendments are recommended to clarify the intent of the author to have the bill apply to all employees of only new charter schools.

PROGRAM BACKGROUND

When initially created, a charter school has the option to join CalSTRS or provide another retirement benefit option for their employees. Historically, it has been typical to have close to 90% of new charter schools opting to participate in CalSTRS. Since about 2014, between 20% and 40% of new charter schools have been selecting an alternate retirement option and have not elected to join CalSTRS. Additionally, the COVID-19 pandemic has seemed to slow the growth in the number of charter schools in California. In 2020-21, only 23 new charter schools were created as compared to two years prior, when 113 new charter schools were created. Of those 23 new charter schools in 2020-21, 16 chose to join CalSTRS. Since 2011-12, 200, or 25%, of the total approved charter schools have closed, with 139 of those participating in CalSTRS. Of those charter schools participating in CalSTRS that closed, 86% closed within the first five years of operation. Currently, CalSTRS has little oversight as to when a charter school opens or closes. Despite the recent trend, most charter schools still provide a CalSTRS benefit to their teachers. In 2020-21, about 88% of the 1,296 charter schools provided a CalSTRS benefit.

FISCAL IMPACT

Program Costs/Savings – Depending on the characteristics of new charter school members brought into the system by this bill, generally any increases in benefits would be offset by increased contributions. However, if future experience differs from the actuarial assumptions, employers and the state would assume the risk of increased unfunded actuarial obligation, the cost of which would be passed to them in accordance with the CalSTRS Funding Plan.

Administrative Costs/Savings – Costs are estimated to be approximately \$328,000 for additional workload and staff resources associated with an increase in charter school employee membership.

SUPPORT

California Federation of Teachers (Sponsor)
California Labor Federation, AFL-CIO
California Retired Teachers Association (Support, if amended)
California Teachers Association

OPPOSITION

California Charter School Association
Charter Schools Development Center

ARGUMENTS

Pro: Helps ensure that all charter school employees are provided retirement security.

Creates more equity in retirement benefits for all California public school employees.

Con: Creates inequities in retirement benefits between the employees of existing charter schools and those of new charter schools authorized on and after January 1, 2023.