ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME
CA State Teachers' Retirement System

CONTACT PERSON
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EMAIL ADDRESS
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TELEPHONE NUMBER
916-414-1994

A. ESTIMATED PRIVATE SECTOR COST IMPACTS  Include calculations and assumptions in the rulemaking record.

1. Check the appropriate box(es) below to indicate whether this regulation:
   - a. Impacts business and/or employees
   - b. Impacts small businesses
   - c. Impacts jobs or occupations
   - d. Impacts California competitiveness
   - e. Imposes reporting requirements
   - f. Imposes prescriptive instead of performance
   - g. Impacts individuals
   - h. None of the above (Explain below):

      See attachment.

If any box in Items I.a through g is checked, complete this Economic Impact Statement. If box in Item I.h. is checked, complete the Fiscal Impact Statement as appropriate.

2. The estimates that the economic impact of this regulation (which includes the fiscal impact) is:

   - Below $10 million
   - Between $10 and $25 million
   - Between $25 and $50 million
   - Over $50 million [If the economic impact is over $50 million, agencies are required to submit a Standardized Regulatory Impact Assessment as specified in Government Code Section 11346.3(c)]

3. Enter the total number of businesses impacted: 0

Describe the types of businesses (Include nonprofits):

Enter the number or percentage of total businesses impacted that are small businesses:

4. Enter the number of businesses that will be created: 0 eliminated: 0

   Explain:

5. Indicate the geographic extent of impacts: □ Statewide
   □ Local or regional (List areas):

6. Enter the number of jobs created: See attachment and eliminated: See attachment.

Describe the types of jobs or occupations impacted: See attachment.

7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? □ YES □ NO

   If YES, explain briefly:

   ____________________________________________________________

   ____________________________________________________________

   ____________________________________________________________

   ____________________________________________________________
B. ESTIMATED COSTS  Include calculations and assumptions in the rulemaking record.

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime?  $0
   a. Initial costs for a small business: $  Annual ongoing costs: $  Years:
   b. Initial costs for a typical business: $  Annual ongoing costs: $  Years:
   c. Initial costs for an individual: $  Annual ongoing costs: $  Years:
   d. Describe other economic costs that may occur: ________________________________

2. If multiple industries are impacted, enter the share of total costs for each industry: n/a

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted. $ ________________

4. Will this regulation directly impact housing costs?  ☐ YES  ☒ NO
   If YES, enter the annual dollar cost per housing unit: ____________________________
   Number of units: ______________________________

5. Are there comparable Federal regulations?  ☐ YES  ☒ NO
   Explain the need for State regulation given the existence or absence of Federal regulations: CalSTRS is a California-specific retirement system.
   Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: $ n/a

C. ESTIMATED BENEFITS  Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State’s environment: Anticipated benefits of these regulations include improved process efficiencies for school districts, county offices of education and CalSTRS. These regulations are not anticipated to have any effect on California businesses.
   The action will have no effect on the health and welfare of California residents, worker safety and the state’s environment.

2. Are the benefits the result of: ☐ specific statutory requirements, or  ☒ goals developed by the agency based on broad statutory authority?
   Explain: The board’s policy is to support regulations that provide more effective and efficient administration of the plan.

3. What are the total statewide benefits from this regulation over its lifetime?  $ n/a

4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: n/a

D. ALTERNATIVES TO THE REGULATION  Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: The alternative of continuing to accept employers as direct reports on a case-by-case basis was considered and rejected as a less efficient mechanism for acceptance than by promulgating regulations that will allow for efficient and consistent administration.
2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

   Regulation: Benefit: $ See attachment  Cost: $ See attachment
   Alternative 1: Benefit: $ See attachment  Cost: $ See attachment
   Alternative 2: Benefit: $ _______________  Cost: $ _______________

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: See attachment.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs?  YES  NO

   Explain: See attachment.

E. MAJOR REGULATIONS  Include calculations and assumptions in the rulemaking record.

   California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.

1. Will the estimated costs of this regulation to California business enterprises exceed $10 million?  YES  NO

   If YES, complete E2. and E3
   If NO, skip to E4

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

   Alternative 1: ____________________________________________
   Alternative 2: ____________________________________________
   (Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

   Regulation: Total Cost $ _______________  Cost-effectiveness ratio: $ _______________
   Alternative 1: Total Cost $ _______________  Cost-effectiveness ratio: $ _______________
   Alternative 2: Total Cost $ _______________  Cost-effectiveness ratio: $ _______________

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding $50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?  YES  NO

   If YES, agencies are required to submit a Standardized Regulatory Impact Assessment (SRIA) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.

5. Briefly describe the following:

   The increase or decrease of investment in the State:

   The incentive for innovation in products, materials or processes:

   The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency:
FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT  
Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.

☐ 1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

$ _______________________

☐ a. Funding provided in

__________________________________________________________

Budget Act of ______________ or Chapter __________, Statutes of __________________________

☐ b. Funding will be requested in the Governor’s Budget Act of

__________________________________________________________

Fiscal Year: ____________________

☐ 2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

$ Baseline 2 only. See attachment.

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

☐ a. Implements the Federal mandate contained in

__________________________________________________________

☐ b. Implements the court mandate set forth by the _____________________________________________________________________________ Court.

Case of: ___________________________________________ vs. ______________________________

☐ c. Implements a mandate of the people of this State expressed in their approval of Proposition No.

__________________________________________________________

Date of Election: ________________________________

☐ d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: ________________________________________________________________

__________________________________________________________________________________

☐ e. Will be fully financed from the fees, revenue, etc. from:

__________________________________________________________

Authorized by Section: ___________________________ of the ___________________________ Code;

☐ f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

☐ g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in

__________________________________________________________

☐ 3. Annual Savings. (approximate)

$ Baseline 1 only. See attachment.

☐ 4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

☐ 5. No fiscal impact exists. This regulation does not affect any local entity or program.

☐ 6. Other. Explain

See attachment.

__________________________________________________________
B. FISCAL EFFECT ON STATE GOVERNMENT  Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.

☐ 1. Additional expenditures in the current State Fiscal Year. (Approximate)

$ ______________________

It is anticipated that State agencies will:

☐ a. Absorb these additional costs within their existing budgets and resources.

☐ b. Increase the currently authorized budget level for the __________________ Fiscal Year

☐ 2. Savings in the current State Fiscal Year. (Approximate)

$ ______________________

☐ 3. No fiscal impact exists. This regulation does not affect any State agency or program.

☒ 4. Other. Explain  See attachment. ______________________

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS  Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.

☐ 1. Additional expenditures in the current State Fiscal Year. (Approximate)

$ ______________________

☐ 2. Savings in the current State Fiscal Year. (Approximate)

$ ______________________

☒ 3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

☐ 4. Other. Explain ______________________
INTRODUCTION

School district employers report member and pension contribution data and remit contributions to CalSTRS using a hierarchical reporting model wherein each community college or school district reports retirement information and remits contributions to its respective county office of education. The county then compiles and submits the information and remits the contributions to CalSTRS.

Since 1999, the law has provided that the Teachers’ Retirement Board may approve a district as a direct report, and CalSTRS already allows some districts to do so. The value of allowing a district to report directly lies mainly in qualitative efficiencies and does not result in significant monetary savings. This analysis assesses costs or savings that would result from the use of these specific standards as contrasted against two baselines:

- **Baseline 1** represents the historical case-by-case exercise of the board’s discretionary authority to allow individual districts to report directly and, thus, most accurately reflects the anticipated behavior of affected parties in the absence of the proposed regulation.
- **Baseline 2** represents a theoretical scenario in which CalSTRS does not choose to exercise its authority to approve districts as direct reports in the absence of these regulations. The cost and benefits projected in this scenario reflect the combined effects of the regulation as well as the enabling statute.

All estimates and projections are rounded to the nearest $5, unless noted.

ECONOMIC IMPACT STATEMENT

A. Estimated Private Sector Cost Impacts

1. **8h. None of the above. (Explain below.)**

These regulations lay out standards public employers must meet in order to enter voluntarily into a direct reporting relationship and only affect public employers, including K-12 and community college districts and county offices of education, and CalSTRS, a state agency. There are no private sector costs. Direct, induced and indirect effects resulting from public sector fiscal impacts are discussed below.

<table>
<thead>
<tr>
<th>Total local government cost or savings calendar year 2016</th>
<th>Baseline 1</th>
<th>Baseline 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,375 + ($7,060 ÷ 2) = $6,905 savings to local government.</td>
<td>No cost to local government.</td>
<td>$2,610 + ($5,460 ÷ 2) = $5,340 cost to local government.</td>
</tr>
<tr>
<td>Total state government cost or savings calendar year 2016</td>
<td>No costs or savings to state government.</td>
<td>$9,970 + ($20,760 ÷ 2) = $20,350 cost to state government employment.</td>
</tr>
<tr>
<td>No savings to state government.</td>
<td>No savings to state government.</td>
<td></td>
</tr>
</tbody>
</table>
2. These regulations will not exceed a total impact of $10 million.¹

**Baseline 1: Total economic output**

- Direct Effect: -$7,868.30
- Indirect Effect: n/a
- Induced Effect: -$6,682.20
- Total Effect: -$14,550.50

**Baseline 2: Total economic output**

- Direct Effect: $29,274.00
- Indirect Effect: n/a
- Induced Effect: $24,860.00
- Total Effect: $54,134.70

6. Enter the number of jobs created and eliminated.

**Baseline 1: 0.1 jobs eliminated.**

This is a direct effect to employment and payroll for state and local government. No induced effect.

**Baseline 2: 0.4 jobs created.**

0.3 jobs created as a direct effect to employment and payroll for state and local government. The induced effect statewide is 0.2 jobs created. Total effect is 0.4 due to rounding.

Section D. Alternatives to the Regulation

2. Total statewide costs and benefits from this regulation and each alternative considered.

**Regulation:**

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</tr>
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**Alternative 1 (no regulation):**

¹ Economic effects modeled using IMPLAN. Copyright 2015 Minnesota IMPLAN Group, Inc.
Benefit: n/a

Cost: $6,905 cost to local government.

3. Quantification issues

The cost estimate of Alternative 1 is based on the assumption that CalSTRS will accept districts as direct reports on a case-by-case basis in the absence of the regulation.

4. Explanation of prescriptive standards in the regulation.

These regulations do not require the use of specific technology or equipment. They do require specific language be adopted by the county and district governing boards of potential direct reports. Prescriptive language in board resolutions is necessary to ensure that there is understanding and agreement among affected parties if the direct reporting relationship is voluntarily terminated. There is no cost associated with the completion of these resolutions, as described in detail under “Fiscal Effect on Local Government.”
FISCAL IMPACT STATEMENT

A. Fiscal Effect on Local Government

Fiscal impact for the current year and two subsequent fiscal years:

6. Other. Explain.

The standards in these regulations are permissive; any costs associated with the attainment of those standards are at the discretion of the individual employer.

Baseline 1

The current process involves the transfer of information demonstrating employer readiness to directly report between the district and CalSTRS, a resolution by the district and county, and business readiness and training activities. These regulations do not alter the time involved in the application process; however, they are expected to increase the rate of successful applications.

This is expected to result in savings by district employers who decide not to submit applications that do not meet the minimum criteria described in the regulations. This is expected to result in savings of $6,750 annually by local agencies (in 2015–16 equivalent dollars).

- 2015–16 savings (from January 1, 2016 to June 30, 2016): $3,375
- 2016–17 annual savings (increased by 4.55%): $7,060
- 2017–18 annual savings (increased by 3.80%): $7,325

Baseline 2

A district wishing to report directly must demonstrate that it meets the standards in the regulations, and both the district and the county office of education must provide specific documentation. There are no ongoing costs or savings to the county or the district associated with direct reporting once the relationship is established. CalSTRS estimates the completion of those tasks will be associated with the following total costs, in 2015–16 dollars:

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2 Assumptions: Average total wages for all payroll positions at community colleges in 2014 is $58,375 (source: www.publicpay.ca.gov, October 2015). An equivalent hourly rate of $28, increased by a multiplier of 142 percent to approximate employer-paid benefits costs, rounded up to $40 is used for these estimates. This rate assumes pay at K-12 districts is similar to pay at community college district payroll offices. CalSTRS estimates that payroll staff will spend 20 to 25, or an average of 22.5, hours gathering information during the application process. To determine the expected savings, the dollar value of estimated time spent by local education agencies on the application process for the current average of between 10 and 15 applications (an average of 12.5 applications is used for this estimate), less the anticipated 5 applications per year under the regulations:

($40 \times 22.5 \text{ hours} \times 12.5 \text{ applications}) - ($40 \times 22.5 \text{ hours} \times 5 \text{ applications}) = 6,750

3 $6,750 annually, divided by two to approximate half the fiscal year.

4 Source: Department of Finance, California Economic Forecast, projected increase of wages and salaries, 2016, Education and Health Services.

5 Source: Department of Finance, California Economic Forecast, projected increase of wages and salaries, 2017, Education and Health Services.
Board member compensation is allocated above for reference. However, since board members are compensated with a flat amount, often including expenses, regardless of hours spent, there is no basis for allocating the cost of board meetings to any specific action by a board. The total local government impacts below only include the value of district payroll staff time expended:

- 2015–16 costs (from January 1, 2016 to June 30, 2016): $2,610
- 2016–17 annual costs (increased by 4.5%): $5,460
- 2017–18 annual costs (increased by 3.80%): $5,665

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6 Assumptions: Average board size for CalSTRS-identified potential direct reports is 6.05 members, based on section 35012 of the Education Code applied to K-12 districts and individual research of community college districts. Average monthly board compensation at potential direct reporting districts is $489.23 based on application of section 35120 of the Education Code using most recent available data on average daily attendance (source: educdata.org, October 2015) and section 72024 of the Education Code extrapolated based on most recent available data on full-time equivalent students (source: datamart.cccco.edu, October 2015). Extrapolated hourly rate of $61.15 assumes meetings occur, on average, one full day (8 hours) per month. Total value of task accounts for one hour of meeting time for each board member, including associated prep time, multiplied by five applications.

7 Assumptions: Average county board of education size is 6.1 members based on actual county office of education trustee counts at CalSTRS-identified potential direct reporting districts from each county’s website. In cases where multiple districts exist in a single county, the county is weighted accordingly. It should be noted that some county governing authority rests with the superintendent and board action would not be required. Therefore, this estimate makes a generous assumption of the time required. Average monthly board compensation at potential county offices of education is $375 per month based on the monthly maximum compensation described in section 1090 of the Education Code for county classes 1 through 4. Extrapolated hourly rate of $31.25 assumes meetings occur, on average, one full day (8 hours) per month. Total value of task accounts for one hour of meeting time for each board member, including associated prep time, multiplied by five applications.

8 Total value of task uses $40 per hour for 22.5 hours, multiplied by five applications.

9 Between 4 and 8, or an average of 6, hours are expended by CalSTRS staff and district personnel on business readiness and training. Total value of task uses $40 per hour for 6 hours, multiplied by three estimated approved applications.

10 $5,220 annually as outlined in the table above, divided by two to approximate half the fiscal year.
B. Fiscal Effect on State Government

4. Other. Explain.

All expenditures are already accounted for in the existing budget. A detailed discussion of the calculations and methodologies used to assess the costs and benefits to state government follows.

In 2014, CalSTRS conducted an informal readiness assessment of districts whose payroll operations are managed in-house. CalSTRS identified 59 fiscally independent or accountable districts with independent payroll systems. Based on CalSTRS-scored reporting competency and self-reported employer interest of these 59 districts, approximately 40 are potential candidates to report directly to CalSTRS.

Workload considerations apply mainly to three business functions within CalSTRS: audits, employer reporting and accounting. In addition to communication required between staff performing those functions during the application process, the effect on each function is described in detail in the sections that follow.

Employer Reporting

Baseline 1

No additional staffing or technological improvements will be required as a result of these regulations. The technology systems and staffing in place already accommodate direct reports, and these regulations were written with the intent to continue this existing workload with existing resources.

Application Approval Process

The majority of time invested by staff is during the application approval process. To manage that workload, the regulations specify that acceptance of an application can be deferred to a future fiscal year at CalSTRS’ discretion.

In each of the last three years, between 10 and 15 districts have contacted CalSTRS to express an interest in direct reporting. The dollar value of associated staff time for a Staff Services Manager I (Specialist) reviewing these applications is equivalent to between $9,585 and $17,970 in 2015–16 dollars.11

CalSTRS expects these regulations, when compared to the current case-by-case processing of applications, will provide widespread understanding of the qualification criteria in the employer community and, therefore, a lower application rate and a higher approval rate. Based on these factors, CalSTRS is anticipating no more than five districts will apply to be admitted as direct reports each year, with that population tapering off after approximately five years. The dollar value of the associated staff

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11 Midrange annual salary is $70,188; adding a multiplier of 142 percent to account for employer-paid benefits produces a result of $99,667. The associated hourly rate is $47.92. Hours spent processing each application vary between 20 and 25 hours, and application volume varies between 10 and 15 applications per year, yielding a resulting range of costs associated with staff time as indicated.
time for reviewing these applications is not expected to exceed $5,990.\textsuperscript{12} For this component task, then, there are anticipated savings in staff time with an estimated dollar value between $3,595 and $11,980.\textsuperscript{13}

Business Readiness and Training Activities

Of the 10 to 15 applications received in the baseline scenario, between one and three have actually been approved each year. Given the higher number of approvals that CalSTRS believes can reasonably be expected to result from the promulgation of specific eligibility criteria, more time may initially be expended on business readiness and training activities. Business readiness and training activities take between 4 and 8 hours for each approved employer. If two additional employers are accepted each year (for a total of between three and five applications accepted), this is equivalent to staff time valued between $575 and $1,150.\textsuperscript{14}

Additional Duties

The cost associated with the remaining duties associated with direct reporting, including policy and program monitoring and development, is expected to remain static.

Results

The numbers cited demonstrate CalSTRS’ overall expectation of savings in staff time of approximately 160\textsuperscript{15} hours annually, which is equivalent to 8 percent of full time.\textsuperscript{16} However, because initial communication efforts will be needed to implement the regulations, and because the exact number of applicants is not known at this time and staff and districts may vary in their efficiency in executing each of the duties involved with administration of these regulations, management has determined to maintain the percentage of duties associated with the direct reporting workload that is allocated to the Staff Services Manager I (Specialist) position at its currently established level of 20 percent of full-time duties.

\textit{Therefore, there are no associated costs or savings despite expected adjustments up or down in the number of hours spent on particular component tasks for the direct reporting workload.}

Baseline 2

The classification that is responsible for all duties related to direct reporting is a Staff Services Manager I (Specialist) with 20 percent of the functions listed on the duty statement related to employer direct reporting. At a mid-range salary for this position, including benefits, this is equivalent to $19,935\textsuperscript{17} annually in 2015.

\textsuperscript{12} Total value of time uses $47.92 per hour for 25 hours, multiplied by five applications.

\textsuperscript{13} Baseline dollar value of staff’s review of applications less the anticipated dollar value of staff time to review applications under the proposed regulations.

\textsuperscript{14} 12 (2 additional applications accepted multiplied by 6 hours) to 24 hours (4 additional applications accepted multiplied by 6 hours) of staff time at $47.92 hourly rate, including benefits.

\textsuperscript{15} Baseline hours to review 12.5 (average of 10 to 15) applications at a rate of 22.5 hours per application and conduct training for two (average of 1 to 3) employers, minus anticipated hours expended under these regulations to review five applications and conduct training for three employers.

\textsuperscript{16} 160 hours divided by 2,080 full time hours.

\textsuperscript{17} 20 percent of $99,667.
Audits

Baseline 1 and Baseline 2

An audit has never been a consideration in assessing a direct report. These provisions were added with stakeholder input during the development of the regulations. These provisions were specifically designed to have no fiscal effect.

Each limited-scope audit required by the regulations will require 250 staff hours to complete, from start to finish. This is expected to be a short-term workload and would be integrated into the regular audit plan. Two partial audits would offset approximately one full audit from the annual audit plan; alternatively, staff could conduct a full audit of the direct report, offsetting a full audit from the annual audit plan. During the past six years, 32 audits on average were completed each year. In accordance with the audit plan, the majority are conducted at districts classified by CalSTRS as “high risk,” with 20 percent from the “medium risk” population and 10 percent classified as “low risk.” Audit Services’ goal is to maintain the ratio of audits performed to employers in a given risk profile as laid out in the audit plan adopted by the board each year. Under the constraints of the audit plan, the risk profile of audits will remain stable—thus, no more than three applicants in the “low risk” category could be added to the audit plan in an average 32-audit year before reaching the 10 percent threshold.

“High risk” districts are classified as such based on the number of instances in which a district exceeds specific compensation thresholds and instances of other reporting activities; thus, large employers tend to be heavily represented. This correlates strongly to the potential direct report population, as larger employers are also more likely to have the infrastructure and staffing available to merit autonomous payroll systems and fiscal independence.

Potential direct reports represent all levels of the risk spectrum as shown in the table on the next page. While districts classified as “high risk” represent less than 10 percent of the employer population as a whole, nearly half of the 40 districts identified as potential candidates as described earlier are currently classified as high risk (see Fig. 1).

<table>
<thead>
<tr>
<th>High risk districts: Weighted risk score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted risk score</td>
</tr>
<tr>
<td>4.00</td>
</tr>
<tr>
<td>3.50</td>
</tr>
<tr>
<td>3.00</td>
</tr>
<tr>
<td>2.50</td>
</tr>
<tr>
<td>2.00</td>
</tr>
<tr>
<td>1.50</td>
</tr>
</tbody>
</table>

Fig. 1. Districts denoted with an asterisk (*) are among the 40 identified by staff as likely candidates to direct report.
Audits completed in fiscal year 2013–14 averaged $79,330 in findings of errors in absolute dollars, the majority of which represent immediate and long-term savings to CalSTRS, and a small portion of which results in refunds to members and employers on overpaid contributions. CalSTRS does not anticipate that the partial (or full) audits performed pursuant to these regulations will significantly affect the average amount collected. While CalSTRS can reasonably anticipate that districts voluntarily subjecting themselves to an audit may have a low rate of findings, an audit result of “no finding” is already not uncommon (nearly one-third of audits completed in fiscal year 2013–14 had no findings).

**Accounting**

**Baseline 1 and Baseline 2**

The Accounting division is responsible for administering employer contribution accounts and the associated reporting thereof. Under Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, Accounting already manages separate records for each district level employer. There is no additional workload associated with direct reporting employers.

**Summary of state government costs**

<table>
<thead>
<tr>
<th>Baseline 1</th>
<th>Baseline 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015–16 (from January 1, 2016 to June 30, 2016): $0</td>
<td>2015–16 (from January 1, 2016 to June 30, 2016): $9,970$18</td>
</tr>
<tr>
<td>2016–17: $0</td>
<td>2016–17 annual costs (increased by 4.14%$19): $20,760</td>
</tr>
<tr>
<td>2017–18: $0</td>
<td>2017–18 annual costs (increased by 4.26%$20): $21,645</td>
</tr>
</tbody>
</table>

$18 $19,935 annually, divided by two to approximate half the fiscal year.

$19 See “Employer Services” for baseline data. Increased based on Department of Finance’s California Economic Forecast, projected increase of wages and salaries, 2016, Government employees.

$20 See “Employer Services” for baseline data. Increased based on Department of Finance’s California Economic Forecast, projected increase of wages and salaries, 2017, Government employees.