

BILL NUMBER: [SB 1343](#) (Leyva) as amended August 15, 2022

SUMMARY

SB 1343 requires charter schools newly authorized on and after January 1, 2025, to participate in CalSTRS and CalPERS. The bill 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, and requires those employers to use unencumbered funds, legally available for this purpose, to pay for any amounts due to CalSTRS that remain unpaid. SB 1343 also requires all chartering authorities to notify CalSTRS and CalPERS of specified events within 30 calendar days of each occurrence.

BOARD POSITION:

Support. The board's policy is to take a support position on legislation that is consistent with the objectives of providing financially sound primary and supplemental retirement plans for California's educators.

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.

SUMMARY OF AMENDMENTS

The August 15, 2022, amendments:

- Change the effective date from January 1, 2023, to January 1, 2025, for the requirement that all newly authorized charter schools participate in CalSTRS and CalPERS and the provision that states the mandatory participation requirement does not apply to specified charter schools when seeking a renewal authorization.

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 newly authorized on and after January 1, 2025, to 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, and to use any unencumbered funds, legally available for this purpose, to pay for any amounts due to the system that remain unpaid.
- The chartering authority to provide notice to CalSTRS and CalPERS within 30 days of when any charter school petition is approved, a renewal petition is granted or denied, a charter is revoked and a charter school has ceased operations, regardless of when the charter school was authorized.

SB 1343 specifies that the provisions of the bill requiring mandatory participation in CalSTRS and CalPERS do not apply to a charter school seeking a renewal authorization on or after January 1, 2025, if the charter school initially received authorization to commence operations before January 1, 2025, and has continually operated as a charter school since that initial authorization.

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. SB 1343 will not apply in the event that it would cause CalSTRS or its members to incur adverse tax consequences under the Internal Revenue Code.

LEGISLATIVE HISTORY

AB 1819 (Amiano, 2012) would have mandated public charter schools to cover their employees under CalSTRS or CalPERS, as applicable. This bill was held in the Senate Appropriations Committee.

AB 816 (PER&SS Committee, Chapter 1025, Statutes of 2000) clarified the duties of a charter school to inform its employees of all retirement options available and of the consequences of future employment if an employee's current retirement system is not provided by the charter school.

SB 1448 (Hart, Chapter 781, Statutes of 1992) authorized the establishment of not more than 100 charter schools in the state and exempted them from laws governing school districts except for those choosing to participate in CalSTRS. Required all employees of charter schools choosing to participate in CalSTRS and who qualified for CalSTRS membership to be covered under CalSTRS and applied all provisions of the Teachers' Retirement Law to these schools as if they were a public school in the school district that granted the charter.

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)
CalSTRS
California Teachers Association

OPPOSITION

California Charter School Association
Charter Schools Development Center
Govern for California

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, 2025.

LEGISLATIVE STAFF CONTACT

Mary Anne Ashley
Manager,
CalSTRS Governmental Relations,
(916) 414-1981
maashley@calstrs.com

Joycelyn Martinez-Wade
Director,
CalSTRS Governmental Relations,
(916) 414-1980
jmwade@calstrs.com