

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATURE 3rd CALLED SESSION -2003

September 15, 2003

TO: Honorable Talmadge Heflin, Chair, House Committee on Appropriations

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB31 by Pitts (Relating to certain provisions regarding teachers, retired teachers, and education.), **As Introduced**

Estimated Two -year Net Impact to General Revenue Related Funds for HB31, As Introduced: a negative impact of (\$38,149,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue -Related Funds, Five -Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$29,584,000)
2005	(\$8,565,000)
2006	(\$8,565,000)
2007	(\$8,565,000)
2008	(\$8,565,000)

All Funds, Five -Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	(\$29,584,000)
2005	(\$8,565,000)
2006	(\$8,565,000)
2007	(\$8,565,000)
2008	(\$8,565,000)

Fiscal Analysis

The bill would modify various statutory provisions regarding the Teacher Retirement System's (TRS) programs for retired public school district employees (TRS -Care) and the compensation supplement for active school district employees (i.e. the pass-through under Active Care).

Section 1 would amend general laws so that a TRS retiree who was employed in actual service during or before school year 2003 -2004 and at the time of retirement meets the requirements for eligibility that existed on August 31, 2004 is eligible for TRS -Care insurance benefits.

Section 2 would require retirees who would be eligible for TRS -Care insurance benefits to pay the associated cost of this benefit. The General Appropriations Act may specify a different cost allocation for retirees and dependents.

Section 3 of the bill would amend House Bill 3459, Seventy-eighth legislature, regular session, 2003, to make certain school district employees eligible for the compensation supplement only for fiscal year 2004. This provision expires September 1, 2004.

Section 4 would eliminate the 90-day waiting period associated with the supplement, for fiscal year 2004 and all years thereafter.

Methodology

Sections 1 and 2

Assuming that retirees who would be made eligible for TRS-Care insurance benefits under Section 1 of the bill would also be required to pay for the full cost associated with such benefits, then this provision would have no fiscal impact. However, if the legislature appropriated money to subsidize the cost of this benefit, then it is estimated that the cost in fiscal year 2005 would be \$7 million based on a per retiree cost of \$4,533 for retirees, which is not reflected in the fiscal impact table because it is permissive.

Section 3

According to the Teacher Retirement System, the bill would make 42,000 school district employees in fiscal year 2004 who would not be eligible for the compensation supplement under current law, resulting in an estimated cost of \$21 million in fiscal year 2004.

Section 4

Elimination of the 90-day waiting period would result in 68,521 employees receiving the supplement for their first 90 days, at an estimated annual cost of \$8.6 million in fiscal year 2005 and each fiscal year thereafter.

The combined cost to the General Revenue Fund of Sections 3 and 4 is estimated to be \$29.6 million in fiscal year 2004 and \$8.6 million in fiscal year 2005, resulting in a biennial cost of \$38.1 million.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

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