

## **BILL ANALYSIS**

C.S.H.B. 2445  
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Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law requires school districts to use a set of complicated and arcane calculations to determine the amount the district must contribute to the Teacher Retirement System of Texas. The calculation is based on an individual employee's salary and differs for different employees. The calculations are so complicated that the TRS instruction manual is 31 pages long. Schools districts spend thousands of dollars and man-hours performing these calculations. A single calculation based on the school district's net payroll would simplify the process for both the school districts and TRS.

In addition, the process for submitting open-enrollment charter school employees contributions to TRS needs to be simplified. The state fully funds the operating costs of charter schools. One state agency, the Texas Education Agency (TEA), sends money to the charter schools and then another state agency, TRS, has the task of recovering the contributions owed them. Since the state is ultimately paying the costs anyway, the process would be more efficient if TEA transferred the contributions directly to TRS and cut out the middle man.

The purpose of CSHB 2445 is to simplify the process for making contributions by school districts and charter schools to TRS. The bill establishes a single calculation for determining school districts' and charter schools' contribution to TRS and provides for TEA to deduct the contributions of charter schools and their employees from the charter school payments and transfer the money directly to TRS.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the Teacher Retirement System of Texas in SECTION 4, Subchapter D, Chapter 12, Education Code, new Section 12.1061(g),

### **ANALYSIS**

SECTION 1: Amends Section 825.405 of the Government Code by amending Subsections (a), (c), (e), (f) and adding Subsection (a-1) to require school districts and open-enrollment charter schools, during each school year, to contribute to the Teacher Retirement System of Texas an amount equal to 0.57 percent of the aggregate annual compensation of all members of the retirement system who are employed by the employer during that school year.

SECTION 2: Amends the heading to Section 825.405, Government Code to read CONTRIBUTIONS BY SCHOOL DISTRICTS AND CERTAIN CHARTER SCHOOLS.

SECTION 3: Amends Section 12.106 (a) and (b), Education Code, by making these sections subject to Section 12.1061.

SECTION 4: Amends Subchapter D, Chapter 12, Education Code, by adding Section 12.1061.

Section 12.1061: States that "retirement system" means the Teacher Retirement System of Texas.

Requires the Texas Education Agency (TEA) to withhold and remit to the Teacher Retirement System of Texas (TRS) a portion of any payment that the agency makes to an open-enrollment charter school charter holder.

Requires such remittances to be applied by TRS toward the obligations of the charter holder to remit required contributions from active TRS members for the pension trust and for the retired school employees group insurance fund and the portion of the state's contributions required to be paid by the charter holder.

Requires TEA to calculate the amount to be remitted to TRS by estimating the number of employees of the charter holder and the salary of each employee and by multiplying the appropriate percentages specified in law. Requires the charter holder to provide any information requested by TEA for the purpose of calculating the estimated payment.

Authorizes TRS to provide relevant information to TEA. Requires TEA, in making its estimate, to consider any information provided by TRS and to adjust future calculations as necessary.

Authorizes TRS and the charter holder to agree on a specified amount or methodology for calculating the payment to be remitted by TEA. Requires TEA to remit funds in accordance with a timely notice signed by both TRS and the charter holder until TRS cancels the payment notice. Authorizes TRS to unilaterally cancel the payment notice by giving TEA written notice. If the payment notice is cancelled, TEA is required to resume calculating the payment. **Authorizes** TEA to suspend payments to TRS for a charter holder upon written notice from TRS. Requires TEA to resume making remittances upon written notice from TRS that the suspension is terminated.

Requires TRS by rule to establish procedures for making refunds to charter holders if TRS determines that amounts received from TEA exceed amounts owed by charter holder.

SECTION 5: Repeals Section 825.405(b), Government Code.

SECTION 6: Provides that the Act applies beginning with the 2003-2004 school year.

SECTION 7: Effective date.

### **EFFECTIVE DATE**

Act takes effect upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

There are no substantial differences between the original bill and the substitute. The original bill was not a Texas Legislative Council draft, and the Substitute bill is a Texas Legislative Council draft. The layout of the SECTIONS has been changed to accommodate Council language.