LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 16, 2003

TO: Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB229** by Grusendorf (Relating to contributions by school districts and the state to the Teacher Retirement System of Texas for members whose salaries exceed statutory minimums.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB229, As Introduced: a negative impact of ($7,571,676) 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	($3,666,975)
2005	($3,904,701)
2006	($3,904,701)
2007	($3,904,701)
2008	($3,904,701)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1
2004	($3,666,975)
2005	($3,904,701)
2006	($3,904,701)
2007	($3,904,701)
2008	($3,904,701)

Fiscal Analysis

The bill would change the method of calculating the minimum salary for superintendents, principals, administrative officers, instructional officers, diagnosticians, etc. The salary table currently used for teachers would be used for these school personnel, instead of the salary table that is currently used to calculate the minimum salary for these employees. This change would increase the minimum salary for most of these employees and reduce the retirement contribution school districts must make based on the difference between actual compensation and state minimum salaries. This would increase the amount the state would have to contribute to the Teacher Retirement System.

Under current law, school districts with an effective tax rate of 125 percent or more of the statewide average tax rate for maintenance and operations are exempted from the minimum salary contribution requirement. Currently, eight school districts are exempt from the requirement to contribute the state's portion of retirement benefits for salary amounts above the statewide minimum salary. The bill would eliminate this exemption, so that all districts would be required to make this contribution based on state minimum salary amounts.

Methodology

To determine the estimated General Revenue cost of using the current teacher-related salary schedule for administrative personnel, the Teacher Retirement System (TRS) relied on a sample of large school districts. TRS determined the difference between the teacher's salary table and the administrator's table for each year of service, and then allocated that difference by the estimated number of administrators at each year of service. This yielded an estimated cost of $3.7 million in fiscal year 2004 and $4.0 million in subsequent years.

TRS estimated the savings from removing the exemption for statutory minimum payments by school districts with the highest property tax levels based on each school districts' statutory minimum payments from the previous year for those districts that are exempt during the current year. This produced a savings of $47,500 per year.

Overall, the cost to the state is estimated to be $3.7 million in fiscal year 2004 and $3.9 million in subsequent years.

Local Government Impact

School district contributions would be reduced by the amounts reflected in the fiscal impact table above.

Source Agencies: 323 Teacher Retirement System, 701 Central Education Agency
LBB Staff: JK, JO, RR, UP, RN