LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 6, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB514** by Griggs (Relating to the payment of retirement benefits to certain retirees of the Teacher Retirement System of Texas who are employed as classroom teachers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB514, As Introduced: a negative impact of ($487,680,000) 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	($237,550,000)
2005	($250,130,000)
2006	($262,640,000)
2007	($275,770,000)
2008	($290,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/(Cost) from *EST OTH EDUC & GEN INCO* 770
2004	($237,550,000)	($9,442,000)
2005	($250,130,000)	($10,055,000)
2006	($262,640,000)	($10,558,000)
2007	($275,770,000)	($11,086,000)
2008	($290,000,000)	($11,640,000)

Fiscal Analysis

The bill would change the time period that currently separates retirement and the ability of teachers to return to teaching and still draw full retirement benefits. It reduces the time to two months instead of the current twelve. It also eliminates a provision that requires the teacher return to a critical shortage area.

This bill has no direct impact on the Texas Education Agency (TEA) or the Foundation School Program. It also has no direct impact on school districts, although there could be some secondary financial implications from this change.

Methodology

State law requires that a new monetary benefit may not be established if the result is a period to amortize the unfunded liability of the retirement system by more than 31 years. According to a Teacher Retirement System actuarial analysis, the state contribution rate required to achieve a 30-year funding period would increase from 8.94 percent of payroll, as determined by the February 28, 2003 actuarial valuation, to over 10 percent of payroll as a result of passage of this legislation. The current TRS state contribution rate is 6 percent. The state constitution limits the TRS contribution rate to 10 percent. The biennial General Revenue cost (excluding General Revenue-Dedicated) to increase the state contribution rate from 6 percent to 10 percent is estimated to be $1,788.0 million; the cost to all funds is estimated to be $1,865.0 million. The portion of the biennial General Revenue cost attributable to the bill, and associated with a contribution rate increase from 8.94 percent to 10 percent, is estimated to be $487.7 million (as reflected in the Fiscal Impact table).

Local Government Impact

The early retirement of staff that would attempt to take advantage of this provision could reduce district costs for health insurance, but likely would not affect payroll, if it can be assumed the retirees would return to the same school district. The elimination of the shortage area provisions would enable more teachers to take advantage of the retire-rehire option.

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