

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 7, 2003

TO: Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1243 by Armbrister (Relating to systems and programs administered by the Teacher Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1243, As Introduced: a negative impact of (\$73,612,507) 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	(\$35,856,784)
2005	(\$37,755,723)
2006	(\$39,643,509)
2007	(\$41,625,684)
2008	(\$43,706,969)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>EST OTH EDUC & GEN INCO</i> 770
2004	(\$35,856,784)	(\$1,425,199)
2005	(\$37,755,723)	(\$1,517,837)
2006	(\$39,643,509)	(\$1,593,729)
2007	(\$41,625,684)	(\$1,673,415)
2008	(\$43,706,969)	(\$1,757,086)

Fiscal Analysis

The bill would clarify Teacher Retirement System (TRS) membership status for employees of certain districts and charter schools; allow a one-time switch from the Optional Retirement Program to the Teacher Retirement System; and clarify provisions regarding return to work with third-party entities.

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 9.10 percent of payroll as a result of passage of this legislation. The current

TRS state contribution rate is 6 percent. The biennial General Revenue cost (excluding General Revenue-Dedicated) to increase the state contribution rate from 6 percent to 9.10 percent is estimated to be \$1,386 million; the cost to all funds is estimated to be \$1,445.5 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 9.10 percent, is estimated to be \$73.6 million (as reflected in the Fiscal Impact table).

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 701 Central Education Agency

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