

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION
Revision 1

April 19, 2005

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB3254 by Van Arsdale (Relating to hiring Teacher Retirement System of Texas retirees to fill positions in acute shortage areas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3254, As Introduced: a negative impact of (\$46,758,893) through the biennium ending August 31, 2007.

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
2006	(\$22,998,695)
2007	(\$23,760,198)
2008	(\$24,708,161)
2009	(\$25,694,043)
2010	(\$26,719,360)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2006	(\$22,998,695)
2007	(\$23,760,198)
2008	(\$24,708,161)
2009	(\$25,694,043)
2010	(\$26,719,360)

Fiscal Analysis

The bill would require the commissioner of education make a determination of where acute shortage areas for educators exist twice each year and to disseminate biannually guidelines by which school districts determine whether a vacant teaching position is in an acute shortage area. The bill would require that the commissioner of education make a report to the Governor and the Legislature by December 1 of even-numbered years on acute shortage areas.

The bill would reduce the 12-month required break in service for Teacher Retirement System (TRS) retirees returning to work as teachers in acute shortage areas to one month.

Methodology

The bill would require increased reporting of information related to school district hiring at the Texas Education Agency (TEA). Because the provisions of the bill stipulate a timeframe that is different than other agency data collections, it is anticipated that a separate collection structure and database will be required at a one-time development cost of \$150,000 for contracted technology services.

A research specialist would be required at TEA to monitor and manage data collected under the provisions of the bill and to analyze, write, and distribute reports. The estimated administrative costs associated with this position are \$61,121 annually.

The bill would reduce the break in service required before a retiree can return to work as a classroom teacher in an acute shortage area without being subject to withholding of monthly annuity payments, which would increase the actuarial accrued liability of the TRS pension trust fund.

The consulting actuary for TRS projects the actuarial impact of the bill on the TRS pension fund based on an assumption that 30 percent of retiring members of TRS are certified teachers and that 25 percent of these retiring teachers would be in acute shortage areas. Further, it is assumed that 100 percent of certified teachers working in acute shortage areas would retire upon initial eligibility without a reduction for early age and would return to work one month after retirement under the provisions of the bill. Based on these assumptions, the actuarial impact to the TRS pension trust fund would be as follows:

1. The normal cost of TRS would increase by 0.06 percent of payroll.
2. The unfunded actuarial accrued liability would increase by \$234 million.
3. The funding period would remain at infinite.
4. The state contribution rate to maintain a 30-year funding period would increase from the 8.11 percent of payroll as determined by the August 31, 2004 actuarial valuation (as updated for the February 28, 2005 update) to 8.23 percent of payroll. The estimated cost of the additional 0.12 percent of payroll would be \$22.8 million in General Revenue in fiscal year 2006, increasing to \$26.7 million by fiscal year 2010.

Since the funding period of TRS already exceeds the 30 years required by statute, passage of the bill without additional funding would violate TRS funding statute, under section 821.006, Government Code. This statute disallows changes to the TRS retirement benefit structure if the changes would either result in an amortization period beyond 30 years or increase the amortization period further if it is already in excess of 30 years.

Technology

The provisions of the bill would require the creation of a data collection system to support the provisions of the bill related to the determination of acute shortage areas and associated reporting requirements. It is assumed that these improvements would be undertaken by an outside contractor at a one-time cost of \$150,000 in fiscal year 2006.

Local Government Impact

School districts may need to modify personnel information systems to accommodate the new data and reporting requirements. This could have some systems modification costs associated with it, although the amount should be relatively modest and likely to be subsumed by annual maintenance.

In addition, new extraction programs would be required to satisfy the need for a biannual analysis and submission to TEA of the data associated with the bill. Since this most likely would be a separate submission, some additional staff resources would be dedicated in a manner that is not currently required. It is estimated that the extraction process and related submission would have an estimated statewide cost of about \$1.6 million annually. School district costs would vary.

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

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