

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**February 28, 2007**

**TO:** Honorable Vicki Truitt, Chair, House Committee on Pensions & Investments

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

**IN RE: HB232** by Ritter (Relating to employer contributions for certain retirees under the Teacher Retirement System of Texas who are employed by an institution of higher education.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB232, As Introduced: a positive impact of \$1,330,000 through the biennium ending August 31, 2009.

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
2008	\$665,000
2009	\$665,000
2010	\$665,000
2011	\$665,000
2012	\$665,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/ (Loss) from <i>TRS TRUST ACCOUNT FUND 960</i>	Probable Revenue Gain/ (Loss) from <i>RETIRED SCHOOL EMP GROUP INSURANCE 989</i>
2008	\$665,000	(\$535,000)	(\$130,000)
2009	\$665,000	(\$535,000)	(\$130,000)
2010	\$665,000	(\$535,000)	(\$130,000)
2011	\$665,000	(\$535,000)	(\$130,000)
2012	\$665,000	(\$535,000)	(\$130,000)

**Fiscal Analysis**

The bill would exempt higher education institutions from requirements that employers that employ TRS retirees in TRS-covered positions contribute a pension surcharge equivalent to the state and member contribution rate multiplied by the employee's salary and, for rehired retirees who are enrolled in TRS-Care, a TRS-Care surcharge equivalent to the difference between premiums paid by the retiree for retiree and dependent coverage under the plan and the full cost of coverage.

## **Methodology**

The analysis assumes that surcharges paid by higher education institutions would be comparable to amounts contributed by these entities for this purpose in fiscal year 2006, which would result in a loss to the TRS Retirement trust fund estimated at \$535,000 annually and a loss to the TRS-Care trust fund estimated at \$130,000 annually.

Savings to higher education institutions associated with the exemption from the surcharge requirements is estimated at \$665,000 annually. The analysis assumes that all savings accrued to higher education institutions from the exemption would be savings to General Revenue.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 781 Higher Education Coordinating Board

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