

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

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

**April 27, 2007**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

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

**IN RE: HB286** by Herrero (Relating to social security coverage for employees of public school districts.), **As Introduced**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would require school districts that do not currently provide Social Security coverage to all district employees to conduct a referendum of employees by December 31, 2007 to determine whether a majority of employees are in favor of participating in Social Security. If a majority votes in favor of participation, a school district would be required to submit a plan to the state social security administrator to effect district participation in the Social Security system.

The provisions of the bill would expire January 1, 2009.

**Local Government Impact**

Most school districts do not currently participate in Social Security. Administrative costs would likely be incurred associated with the majority of school districts conducting the referendum required by the bill.

If the majority of employees were to vote in favor of participation in Social Security, the employer and the employee would incur a cost of 6.2 percent of gross pay each. The state's smallest school district, Doss Independent School District (ISD), had a total payroll in the 2005-06 school year of \$139,755. If Doss ISD's employees elected to participate in Social Security coverage, the cost would be about \$8,600 to the district plus a like amount in contributions from employees district-wide. The state's largest school district, Houston ISD had a total payroll of \$884 million in the 2005-06 school year, which would yield a cost of about \$55 million to the district to participate in Social Security coverage plus a like amount in employee contributions district-wide.

On a statewide basis, after adjusting for payments that school districts that already participate in Social Security for some or all of their employees, if every school district's referendum favored participation in Social Security, local employer costs would be estimated at \$1.4 billion statewide in the first year, increasing annually at the same rate as overall payroll growth.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, UP, JSc