

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 11, 2007

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

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

IN RE: HB1371 by Delisi (Relating to a salary supplement for certain retirement-eligible classroom teachers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1371, As Introduced: a negative impact of (\$106,000,000) 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	(\$53,000,000)
2009	(\$53,000,000)
2010	(\$53,000,000)
2011	(\$53,000,000)
2012	(\$53,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2008	(\$53,000,000)
2009	(\$53,000,000)
2010	(\$53,000,000)
2011	(\$53,000,000)
2012	(\$53,000,000)

Fiscal Analysis

Beginning with the 2007-08 school year, the bill would entitle active teachers whose age plus years of service exceeds 80 to salary supplements ranging from \$1,000 to \$4,000 per year. The amount of the supplement increases as the sum of an eligible teacher's age and years of service increases up to at least 95.

The bill would entitle school districts to state funds sufficient to pay the cost of the salary supplements.

Methodology

The state cost of funding for school districts associated with salary supplements to which approximately 24,623 classroom teachers would be entitled under the provisions of the bill is estimated at \$50 million annually in General Revenue beginning in fiscal year 2008. Assuming a 6.0 percent state contribution rate, additional state contributions to the TRS retirement fund associated with the provisions of the bill is estimated at \$3 million annually in General Revenue.

The Teacher Retirement System (TRS) estimates that the provisions of the bill would reduce the state contribution rate required to achieve a 30-year funding period by 0.10 percentage points based on the February 28, 2007 valuation and assuming the active member contribution rate remains at 6.40 percent. This estimate assumes that 20 percent of classroom teachers would defer their retirement by one year based on the provisions of the bill.

Local Government Impact

School districts would be required to pay salary supplements to certain classroom teachers and would be entitled to state funds sufficient to fund the supplements.

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

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