

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 17, 2013

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1812 by Duncan (Relating to determination of state contributions for participation by certain junior college employees in the state employees group benefits program, Teacher Retirement System of Texas, and Optional Retirement Program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1812, Committee Report 1st House, Substituted: a positive impact of \$69,055,336 through the biennium ending August 31, 2015.

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
2014	\$34,760,049
2015	\$34,295,287
2016	\$33,729,197
2017	\$33,059,638
2018	\$32,277,758

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2014	\$34,760,049
2015	\$34,295,287
2016	\$33,729,197
2017	\$33,059,638
2018	\$32,277,758

Fiscal Analysis

The bill would amend current law relating to state contributions for participation by certain junior college employees in the Teacher Retirement System (TRS), the Optional Retirement Program (ORP), and the employees group benefits program. The bill would modify eligibility requirements of public junior college employees who participate in the TRS, ORP and group benefits program.

The bill would amend Government Code, Section 825.404(b) and Section 830.201 to require the board of trustees to include only 50 percent of the cost associated with instructional or administrative employees of public junior colleges when certifying to the comptroller of public accounts the amount necessary to pay the state's contributions to the TRS and ORP. In determining the amount for certification for each public junior college, the number of eligible employees may not be adjusted in a proportion greater than the change in student enrollment at each college.

The bill would amend Insurance Code to add Section 1551.3111 to require the legislature to include 50 percent of the cost associated with instructional or administrative employees of public junior colleges when certifying to the comptroller of public accounts the amount necessary to pay the state's contributions for the group benefits program. In determining the amount for certification for each public junior college, the number of eligible employees may not be adjusted in a proportion greater than the change in student enrollment at each college.

The bill would take effect immediately upon receiving two-thirds majority vote in each house. Otherwise, the bill would take effect September 1, 2013.

Methodology

Cost estimates for the Teacher Retirement System (TRS) and Optional Retirement Program (ORP) assume a 6.4 percent annual state contribution rate and a two percent payroll growth for costs associated with instructional or administrative employees of public junior colleges.

Cost estimates for public junior college employees who participate in the state employees group benefits program assume an increase from 42.1 percent to 50 percent of the cost associated with instructional or administrative employees and assume a 7.36 percent annual medical cost increase.

Total General Revenue savings is estimated at \$69.7 million and includes a \$45.1 million increase in General Revenue for insurance contributions (42.1 percent to 50 percent), offset by an \$114.8 million savings in General Revenue to provide for a 50 percent state retirement contribution public junior college participants in the TRS and ORP.

Although this analysis calculates fiscal impact relative to current statutory provisions, in the 2012-13 biennium, state contributions for retirement on behalf public junior college employees are limited to the state contribution rate applied to each public junior college's unrestricted General Revenue appropriation. Additionally, engrossed general appropriations bills in both chambers reflect policies that would provide for a limitation on contributions. The House Engrossment of Senate Bill 1, 83rd Legislature, contemplates continuation of the 2012-13 practice in 2014-15. The Senate Engrossment of Senate Bill 1, 83rd Legislature, reflects the practice contemplated in this bill. The analysis of savings and costs of the provisions of this bill relative to those policies would differ from the analysis presented in this fiscal note. If the retirement analysis here were relative to current practice for 2012-13, it would result in a small cost.

Local Government Impact

The fiscal implication to public junior colleges is estimated to be approximately \$114.8 million in other educational and general income funds paid to the Teacher Retirement System and Optional Retirement Program for administrative and instructional employee retirement benefits.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System

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