

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 30, 2015**

**TO:** Honorable Larry Taylor, Chair, Senate Committee on Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1303** by Menéndez (Relating to the salary paid to classroom teachers employed by public schools.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1303, As Introduced: a negative impact of (\$3,013,628,496) through the biennium ending August 31, 2017.

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
2016	(\$1,490,419,632)
2017	(\$1,523,208,864)
2018	(\$1,556,719,459)
2019	(\$1,590,967,287)
2020	(\$1,625,850,576)

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

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund #193</i>	Probable Savings/(Cost) from <i>General Revenue Fund #001</i>
	1	1
2016	(\$1,395,524,000)	(\$94,895,632)
2017	(\$1,426,225,528)	(\$96,983,336)
2018	(\$1,457,602,490)	(\$99,116,969)
2019	(\$1,489,669,744)	(\$101,297,543)
2020	(\$1,522,332,000)	(\$103,518,576)

**Fiscal Analysis**

The bill would amend the Education Code related to the salary paid to classroom teachers employed by public schools.

The bill would require school districts to pay classroom teachers entitled to the minimum salary

schedule (MSS) \$400 a month in excess of the amount the teacher would have been eligible to receive using the local district's salary schedule for the 2014-15 school year if that salary schedule had been in effect for the 2015-16 school year.

The bill would create an entitlement for all school districts and open enrollment charter schools of \$4,000 for each classroom teacher employed by the Local Education Agency (LEA).

The bill would apply beginning with the 2015-16 school year and would take effect September 1, 2015.

### **Methodology**

This estimate uses data from the 2015 Public Information Management Information System (PEIMS) to estimate the number of full time teachers in Texas who would be eligible for the \$4,000 allotment paid to districts at 341,376.

The average annual growth rate for classroom teachers between FY 2013 and FY 2015 was 2.2%. This estimate continues this growth through 2020. Based on these numbers, the Texas Education Agency (TEA) estimates that there would be 348,881 full-time teachers in Texas in FY 2016, increasing to 380,583 by 2020. The entitlement for all school districts and open enrollment charter schools of \$4,000 for each classroom teacher would result in an estimated cost of \$1.4 billion in fiscal year 2016, and would increase to \$1.5 billion in fiscal year 2020.

A \$4,000 increase per teacher would result in an annual state contribution to the TRS of \$272 per teacher. While some teachers will change districts and not be guaranteed a minimum of their 2015-2016 salary, this analysis assumes districts would increase local schedules for all teachers. This would result in costs of \$94.9 million in fiscal year 2016, increasing to \$103.5 million in fiscal year 2020.

According to the Teacher Retirement System (TRS) actuary, while the bill would increase revenue into the TRS Pension Trust Fund due to increased contributions on higher salary amounts, the revenue increase does not automatically result in an actuarial gain to the fund. A long-term actuarial impact would depend on how salary increases over multiple biennia compare to the plan's funding assumptions for salary growth. In addition, potential gains to the fund could be impacted by potential costs due to increased final average salaries that result in greater pension benefit obligations.

### **Technology**

Minimal updates would be made to the online FSP system. Based on the analysis of the Texas Education Agency, these updates could be accomplished by utilizing existing resources.

### **Local Government Impact**

The bill would require a school district that does not participate in Social Security to make a contribution to TRS of 1.5% of the additional salary amount, or \$60 per teacher annually. Approximately 97% of districts do not participate in Social Security.

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

**LBB Staff:** UP, JBi, SL, AM