LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

July 24, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB24** by Darby (Relating to the salary paid to certain professional employees of public schools; making an appropriation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB24, As Introduced: an impact of $0 through the biennium ending August 31, 2019.

Additionally, the bill would have a negative impact of ($878,043,081) through the biennium ending August 31, 2021.

Appropriations:

Fiscal Year	Appropriation out of *Economic Stabilization Fund* 599
2018	$424,000,000
2019	$424,000,000

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	$0
2019	$0
2020	($435,117,387)
2021	($442,925,694)
2022	($450,874,551)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Economic Stabilization Fund 599	Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599
2018	$0	$0	($419,912,524)	($2,997,000)
2019	$0	$0	($427,447,144)	($12,115,000)
2020	($32,417,353)	($402,700,034)	$0	($16,128,000)
2021	($32,999,092)	($409,926,602)	$0	($16,430,000)
2022	($33,591,302)	($417,283,249)	$0	($16,737,000)

Fiscal Analysis

The bill would increase the minimum salary schedule under Section 21.402 of the Education Code which relates to the minimum amount that each school district is required to pay each classroom teacher, full-time librarian, full-time counselor certified under Chapter 21, Subchapter B of the Education Code, or full-time school nurse.

The bill would specify that, for the 2017-18 school year, each classroom teacher, full-time librarian, full-time school counselor, or full-time school nurse is entitled to the sum of: 1) the monthly salary the employee would have received for the 2017-18 school year under the district's salary schedule for the 2016-17 school year, if that schedule had been in effect for the 2017-18 school year; and 2) $100.

The bill would also require any classroom teacher, full-time librarian, full-time school counselor, or full-time nurse to receive a salary that is at least equal to the salary the employee received for the 2017-18 school year in each subsequent year, as long as that employee is employed by the same district.

The bill would amend the Education Code to provide additional state aid equal to $1,000 per classroom teacher, full-time librarian, full-time school counselor, and full-time school nurse employed by a district.

The bill would appropriate an additional $848 million from the Economic Stabilization Fund in the 2018-19 biennium to the Texas Education Agency (TEA) to implement the provisions of the legislation.

The bill provides that it is the intent of the Legislature that: 1) TEA shall transfer $63 million to the Teacher Retirement System of Texas (TRS) as the state's contribution towards retirement and health benefits related to the provisions of the bill; and 2) that each professional public school employee subject to the minimum salary schedule shall receive a salary increase.

The bill would take effect immediately if it receives a vote of two-thirds of all members elected to each chamber; otherwise, it would take effect on the 91st day after the last day of the legislative session.

Methodology

In fiscal year 2017, there were a total of 381,766 employees subject to the minimum salary schedule (MSS) pursuant to Chapter 21.402 of the Texas Education Code. Of that total, 380,554 were employees of school districts and charter schools, and 1,212 were subject to the MSS at state

entities. This analysis assumes that the number of school district and charter school employees subject to the MSS increases by 1.8 percent per year, and full-time equivalents at state funded entities remain constant at a fiscal year 2018 budgeted total of 1,224. Based on these assumptions 388,628 employees would receive a $1,000 raise in fiscal year 2018; 395,601 would receive the raise in fiscal year 2019; increasing to 417,283 in fiscal year 2022.

The additional state aid that would be provided under Section 42.2513(a) of the Education Code to support the salary increases of these employees would be $388.6 million in fiscal year 2018, $395.6 million in fiscal year 2019, increasing to $417.3 million in fiscal year 2022.

State contributions to TRS-Care associated with the increased salary, based on a contribution rate of 1.25 percent of active payroll, are anticipated to be $4.9 million in fiscal year 2018, $4.9 million in fiscal year 2019, increasing to $5.2 million in fiscal year 2022. State contributions to TRS for retirement associated with the increased salary, based on a contribution rate of 6.8 percent of eligible payroll, are anticipated to be $26.4 million in fiscal year 2018, $26.9 million in fiscal year 2019, increasing to $28.4 million in fiscal year 2022.

As noted above, in fiscal years 2018 and 2019, these provisions would be financed by an appropriation from the Economic Stabilization Fund. In subsequent years, this analysis assumes that the additional state aid associated with Section 42.2513(a) of the Education Code would be funded with appropriations from the Foundation School Fund and the additional costs associated with TRS retirement contributions and TRS-Care would be funded with appropriations from the General Revenue Fund.

The Comptroller of Public Accounts indicates that the appropriations laid out in the bill would result in reduced interest and investment earnings on the Economic Stabilization Fund cash balance of $3.0 million in fiscal year 2018, $12.1 million in fiscal year 2019, increasing to $16.7 million in year 2022.

As an appropriations bill, this legislation is subject to certification by the Comptroller of Public Accounts.

Local Government Impact

School districts would receive additional state aid from the Foundation School Program to fund the salary increases provided under the bill. In addition to the costs noted above, school districts would be responsible from contributing 0.75 percent of active salary to TRS-Care and districts that do not participate in Social Security would contribute an additional 1.5 percent of active salary to TRS retirement.

In total, district costs related to TRS-Care are anticipated to be $2.9 million in fiscal year 2018, $3.0 million in fiscal year 2019, increasing to $3.1 million in fiscal year 2022.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 701 Texas Education Agency

LBB Staff: UP, KK, AM, AH, TSI