

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 8, 2019

TO: Honorable Jim Murphy, Chair, House Committee on Pensions, Investments & Financial Services

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB953 by King, Ken (Relating to certain contributions by an open-enrollment charter school to the Teacher Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB953, As Introduced: a positive impact of \$41,420,509 through the biennium ending August 31, 2021.

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
2020	\$20,314,129
2021	\$21,106,380
2022	\$21,929,529
2023	\$22,784,780
2024	\$23,673,387

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2020	\$20,314,129
2021	\$21,106,380
2022	\$21,929,529
2023	\$22,784,780
2024	\$23,673,387

Fiscal Analysis

The bill would amend the Government Code to require open-enrollment charter schools to pay the state's contribution to the Teacher Retirement System (TRS) on the portion of a TRS member's

salary that would exceed the minimum salary schedule (MSS) in Section 21.402, Education Code.

The bill would apply beginning with the 2019-2020 school year.

Methodology

Under the provisions of the bill, charter schools would pay TRS state retirement contributions on payroll amounts above the minimum salary schedule (MSS) for employees who would be subject the MSS if employed by a school district. Payments by charter schools would reduce the amount of General Revenue required to fund the TRS state retirement contribution by an equal amount.

Based on Public Education Information Management System (PEIMS) salary and years of experience data for school year 2018-19 provided by the Texas Education Agency (TEA), TRS estimates approximately \$298.7 million in payroll for open-enrollment charter schools would exceed the MSS in fiscal year 2020. TRS assumes this amount would grow by 3.9 percent per year due to projected payroll growth. Applying the 6.8 percent state retirement contribution rate to this payroll, TRS estimates the cost savings to the General Revenue Fund would total \$20.3 million in fiscal year 2020, \$21.1 million in fiscal year 2021, increasing to \$23.7 million in fiscal year 2024.

Local Government Impact

On a statewide basis, TRS estimates new retirement contributions by charter schools would total \$20.3 million in fiscal year 2020, \$21.1 million in fiscal year 2021, increasing to \$23.7 million in fiscal year 2024. Fiscal impacts to individual charter schools would depend on the degree to which actual staff salaries exceed the MSS based on each employee's years of experience.

Source Agencies: 323 Teacher Retirement System

LBB Staff: WP, CMa, AM, ASa