

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**February 22, 2019**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

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

**IN RE:** SB3 by Nelson (Relating to additional funding to school districts for classroom teacher salaries.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB3, As Introduced: a negative impact of (\$3,655,155,049) 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	(\$1,815,991,200)
2021	(\$1,839,163,849)
2022	(\$1,862,633,107)
2023	(\$1,886,402,773)
2024	(\$1,910,476,689)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2020	(\$33,843,000)	(\$1,782,148,200)
2021	(\$34,204,152)	(\$1,804,959,697)
2022	(\$34,569,926)	(\$1,828,063,181)
2023	(\$34,940,383)	(\$1,851,462,390)
2024	(\$35,315,581)	(\$1,875,161,108)

**Fiscal Analysis**

The bill would amend the Education Code to entitle every full-time classroom teacher to an annual salary allotment in the amount of \$5,000. The bill would specify that this allotment is in addition to the salary the teacher would have received for the 2019-20 school year under the district's

salary schedule for the 2018-19 school year, if that schedule had been in effect for the 2019-20 school year, including any supplements the teacher would have received.

The bill would require each district to provide written notice to each full-time classroom teacher that the salary allotment to which the teacher is entitled is provided by the state.

The bill would provide each school district additional state aid in an amount equal to \$5,000 multiplied by the number of full-time classroom teachers employed by the district. The bill would require the district to use this additional state aid to fund the salary allotment created by the bill. The bill would specify that if a district is required to take action under Chapter 41 of the Education Code to reduce its wealth per student, that the district is entitled to a credit against the total amount required for the district to purchase attendance credits.

The bill would apply beginning with the 2019-20 school year.

### **Methodology**

In fiscal year 2019, there are estimated to be 351,925 full-time teachers at districts and charter schools statewide. Based on an annual growth rate of teachers of 1.28 percent, the estimated number of teachers in fiscal year 2020 is anticipated to be 356,430, growing to 375,032 in fiscal year 2024. Based on an annual salary increase of \$5,000, state costs to fund the salary increase would be \$1,782.1 million in fiscal year 2020, \$1,805.0 million in fiscal year 2021, and increasing to \$1,875.2 million in fiscal year 2024. State contributions to TRS-Care associated with the increased salary are anticipated to be \$22.3 million in fiscal year 2020, \$22.6 million in fiscal year 2021, and increasing to \$24.4 million in fiscal year 2024, based on a contribution rate of 1.25 percent of active payroll.

Included in the estimate of total teachers above, are 17,465 full-time teachers at charter schools in fiscal year 2020, 17,689 teachers at charter schools in fiscal year 2021, growing to 18,377 teachers in charter schools in fiscal year 2024. The related TRS state retirement contributions of the charter school teachers are estimated at \$5.9 million in fiscal year 2020, \$6.0 million in fiscal year 2021, and growing to \$6.2 million in fiscal year 2024, based on a contribution rate of 6.8 percent of payroll.

In addition to the estimate of total teachers above are 1,033 full-time teachers at state entities including the Windham School District, the Juvenile Justice Department, the Texas School for the Blind and Visually Impaired, and the Texas School for the Deaf. The annual salary increase for these entities is estimated to total \$5.2 million in each fiscal year, along with an estimated benefits cost to the state of \$0.5 million per fiscal year.

### **Local Government Impact**

The bill would result in local school district costs for both retirement and health benefits provided by TRS. For the salary increase portion of the bill, the state contribution rate to TRS retirement is 6.8% of salary. However, because the salary increase specified in the bill would not adjust the minimum salary schedule under Section 21.402 of the Education Code, retirement contributions to TRS for the salary increase would be a district obligation as established in Section 825.405 of the Government Code. Additionally, all districts would contribute 0.75% of active salary to TRS-Care. In total, aggregate statewide costs to school districts related to retirement contributions and TRS-Care are anticipated to be \$128.0 million in fiscal year 2020, \$129.6 million in fiscal year 2021, and increasing to \$134.6 million in fiscal year 2024.

Charter schools would also incur costs related to TRS benefits. Charters that do not participate in Social Security would contribute 1.5% of active salary to TRS retirement, and all charters would contribute 0.75% of active salary to TRS-Care. In total, aggregate statewide charter school costs related to retirement contributions and TRS-Care are anticipated to be \$1.7 million in fiscal year 2020, \$1.7 million in fiscal year 2021, and increasing to \$1.8 million in fiscal year 2024.

**Source Agencies:** 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 644 Juvenile Justice Department, 701 Texas Education Agency

**LBB Staff:** WP, KK, AM, AH, LCO, ASa