

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87th LEGISLATURE 1st CALLED SESSION 2021

July 9, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB7 by Huffman (Relating to a one-time supplemental payment of benefits under the Teacher Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB7, As Introduced : a negative impact of (\$701,100,535) through the biennium ending August 31, 2023.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill. The Teacher Retirement System would be required to make the supplemental payment under the Act only if the legislature appropriates money sufficient to fully fund the cost of the payment. If the legislature does not appropriate sufficient money for this purpose, the system may not make the supplemental payment.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$701,100,535)
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>
2022	(\$701,100,535)
2023	\$0
2024	\$0
2025	\$0
2026	\$0

Fiscal Analysis

The bill would provide a onetime supplemental payment to certain Teacher Retirement System (TRS) annuitants as of December 31, 2020. The payment would be the lesser of the annuitant's current monthly benefit or \$2,400 and would be payable not later than January 2022.

The bill would require the TRS Board of Trustees to make the onetime supplemental payment if the Board finds

that the legislature appropriated funding in an amount sufficient to pay for the benefit enhancement. If the legislature did not appropriate funding in an amount sufficient to pay for the benefit enhancement, the bill would prohibit TRS from making the supplemental payment.

Methodology

TRS estimates the cost to provide a onetime supplemental annuity payment under the provisions of the bill would total \$701.1 million. This analysis assumes the legislature would need to appropriate an additional \$701.1 million for fiscal year 2022 to TRS for the TRS Board to make the payment.

According to the actuarial impact statement provided by the Pension Review Board, TRS is currently actuarially sound. Under the bill, TRS would continue to be actuarially sound, with an amortization period of 26 years.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

LBB Staff: JMc, KK, AH, SD, ASA