

Fiscal Note Request HB0633, As Introduced

(continued)

termination pay in the calculation of benefits will increase by approximately 4.3 percent or \$221,000 per year. (Termination pay includes any lump sum payment received on account of termination and retirement, e.g., unused sick and vacation leave and early retirement cash incentives.)

Department of Administration

5. The increased contributions paid by K-12 will be partially funded by lottery revenue transferred to the teachers' retirement fund assistance account.
6. HB 633 requires that the Lottery transfer its net revenue to the Teachers' Retirement Fund Assistance Accounts. Currently all of the Lottery's net revenue is transferred to the General Fund. Therefore, the net impact would reduce the General Fund by approximately \$7.3 million in FY 2006 and \$8 million in FY 2007.
7. Under this bill, lottery revenue transferred to the TRS is statutorily appropriated in an account used to help pay the employer's contribution to the TRS. It is assumed lottery revenue will be available for reappropriation to lower the retirement mills and the state guaranteed tax base aid.
8. A table of the required contributions under this bill and the lottery reductions is shown below.

TRS Funding	FY 2006 SB 633 Total Contribution	FY 2007 SB 633 Total Contribution	FY 2006 Lottery Reduction	FY 2007 Lottery Reduction	FY 2006 Net Contribution	FY 2007 Net Contribution
State						
General Fund	62,000	62,000	-38,000	-40,000	24,000	22,000
State Special	2,000	2,000	-1,000	-1,000	1,000	1,000
Federal	27,000	27,000	-16,000	-17,000	11,000	10,000
Proprietary	1,000	1,000	-1,000	-1,000	0	0
<i>State Subtotal</i>	<i>92,000</i>	<i>92,000</i>	<i>-56,000</i>	<i>-59,000</i>	<i>36,000</i>	<i>33,000</i>
Montana University System						
Current Unrestricted – GF	334,000	334,000	-203,000	-213,000	131,000	121,000
Current Unrestricted - Other	443,000	443,000	-270,000	-283,000	173,000	160,000
Non Current Unrestricted - Other	64,000	64,000	-39,000	-41,000	25,000	23,000
<i>MUS Subtotal</i>	<i>841,000</i>	<i>841,000</i>	<i>-512,000</i>	<i>-537,000</i>	<i>329,000</i>	<i>304,000</i>
K-12 Schools						
General Fund	2,746,000	2,800,000	-1,672,000	-1,787,000	1,074,000	1,013,000
County Levy	7,425,000	7,571,000	-4,520,000	-4,832,000	2,905,000	2,739,000
Federal	867,000	1,156,000	-528,000	-738,000	339,000	418,000
<i>K-12 Schools Subtotal</i>	<i>11,038,000</i>	<i>11,527,000</i>	<i>-6,720,000</i>	<i>-7,357,000</i>	<i>4,318,000</i>	<i>4,170,000</i>
Grand Total	11,971,000	12,460,000	-7,288,000	-7,953,000	4,683,000	4,507,000

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Personal Services -MUS and state	\$933,000	\$933,000
Local Assistance – K-12 Schools	<u>2,746,000</u>	<u>2,800,000</u>
TOTAL	\$3,679,000	\$3,733,000

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Funding of Expenditures:

General Fund (01)	\$1,229,000	\$1,156,000
State Special Revenue (02)	2,241,000	2,384,000
Federal Special Revenue (03)	11,000	10,000
University Funds – Tuition and Other	<u>198,000</u>	<u>183,000</u>
TOTAL	\$3,679,000	\$3,733,000

Revenues:

General Fund (01) Lottery Revenue	(\$7,288,000)	(\$7,953,000)
State Special Revenue (02) – Lottery Revenue	7,288,000	7,953,000
Other- Pension Trust (09)	<u>11,971,000</u>	<u>12,460,000</u>
TOTAL	\$11,971,000	\$12,460,000

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$8,517,000)	(\$9,109,000)
State Special Revenue (02)	(2,241,000)	(2,384,000)
Federal Special Revenue (03)	(11,000)	(10,000)
University Funds – Tuition and Other	(198,000)	(183,000)
Other – Pension Trust	11,971,000	12,460,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Over 90% of school district retirement costs are paid with a combination of countywide levy and state guaranteed tax base aid. The remainder is paid with school district federal funds. The balance of the countywide school fund costs, not offset by lottery revenues transferred to the teachers' retirement fund assistance account, will be shared by the state, 27 percent, and county levy, 73 percent.

TECHNICAL NOTES:

1. The cost to employers participating in the Teachers' Retirement System will continue to increase at the same rate that wages paid to members of the TRS increases.
2. HB 372 provides for the transfer of lottery revenues to the Office of Public Instruction, and HB 523 requires that the Lottery transfer its net revenue to counties to reduce the countywide retirement mill levy. This proposal, HB 372 and HB 523 conflict.
3. If both this proposal and HB 338 are enacted, the cost associated with this provision and HB 338 will both increase.
4. For information purposes. Currently, the Lottery does transfer its net revenue to the General Fund on a quarterly basis. However, it is important to understand the timing of this transfer. Assuming the first quarter that this bill would be effective would end on 9/30/2005; the net revenue would not be transferred until the end of December 2005. This delay is necessary to allow the Lottery to calculate the actual transfer amount and meet with its Commission for its approval of the statements. Each subsequent quarter would be handled similarly; that is, the transfer taking place three months after the end of each quarter.