



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # SB0056

Title: Retirement fund to pay costs for school employees paid with federal funds

Primary Sponsor: Ryan, D.

Status: As Introduced

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$3,182,403	\$3,277,875	\$3,376,211	\$3,477,498
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$3,182,403)</u>	<u>(\$3,277,875)</u>	<u>(\$3,376,211)</u>	<u>(\$3,477,498)</u>

Description of fiscal impact: SB 56 will result in increased state general fund GTB costs totaling \$3.1 million in FY 2008 and \$3.3 million in FY 2009. These costs are paid from the state general fund. County levy increases of \$8.2 million in FY 2008 and \$8.4 million in FY 2009 will also be required.

FISCAL ANALYSIS

Assumptions:

1. Retirement benefits as defined in this fiscal note include contributions of the employer to retirement systems, unemployment insurance, social security and Medicare.
2. Under SB 56, school districts would have the option to charge retirement benefits to the retirement fund or federal funds for employees who are paid from federal funds.
3. Salaries for employees paid from non Impact Aid federal funds in the base year FY 2006 totaled \$71.4 million.
4. Based on projections from the U.S. Dept. of Education, there will be no increases in federal funding from FY 2007 to FY 2009. For the purposes of this fiscal note, it is assumed that there may be no increase in federal funding in FY 2010 or FY 2011. However, based upon historical trends in FY 2004 and FY 2005 and new funding in FY 2006 and FY 2007, salaries will increase by 3% each year. District federal fund balances or district operating expenditures in federal programs may have to decrease to offset the increased salary costs.
5. The 2005 Legislature adopted SB 333, which allows school districts to change employer contributions related to federal Impact Aid salaries and benefits to the retirement fund

6. Estimated salaries paid from federal programs increasing 3% per year from base year FY 2006:

	Estimated Fiscal Year	Estimated Federal Salaries
	2008	\$75,771,502
	2009	\$78,044,647
	2010	\$80,385,987
	2011	\$82,797,566

7. Estimated benefit rate is 15% based upon FY 2006 employer contribution rates:

	Certified Staff	Classified Staff
TRS	7.47%	
PERS		6.90%
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	<u>0.02%</u>	<u>0.02%</u>
Totals	15.14%	14.57%

8. Based on budget data from FY 2006, on the marginal, the state pays retirement guaranteed tax base aid (GTB) of approximately 28% of countywide retirement tax levy.

9. Estimated cost to the state and county:

Fiscal Year	Estimated Federal Salaries	Estimated Benefit Rate	Retirement Cost	State Share	County Share
2008	\$75,771,502	15%	\$11,365,725	\$3,182,403	\$8,183,322
2009	\$78,044,647	15%	\$11,706,697	\$3,277,875	\$8,428,822
2010	\$80,385,987	15%	\$12,057,898	\$3,376,211	\$8,681,687
2011	\$82,797,566	15%	\$12,419,635	\$3,477,498	\$8,942,137

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$3,182,403	\$3,277,875	\$3,376,211	\$3,477,498
<u>Funding of Expenditures:</u>				
General Fund (01)	\$3,182,403	\$3,277,875	\$3,376,211	\$3,477,498
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$3,182,403)	(\$3,277,875)	(\$3,376,211)	(\$3,477,498)

Effect on County or Other Local Revenues or Expenditures:

1. School districts will respond to SB 56 in two ways. Some districts will continue to charge federal programs for benefits and not increase property taxes. Others may shift the costs from the federal programs to the retirement fund and increase property taxes. It is assumed that all districts will shift retirement for federally funded salaries to the retirement fund.
2. Net county property taxes for retirement budgets are projected to increase by \$8.18 million in FY 2008, \$8.42 million in FY 2009, \$8.68 million in FY 2010 and by \$8.94 million in FY 2011.

Sponsor's Initials

Date

Budget Director's Initials

Date