



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0253	Title:	Increase contributions to the U-System's Optional Retirement Program
Primary Sponsor:	McChesney, Bill	Status:	As Introduced

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

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
MUS - General Fund	\$1,188,112*	\$1,247,517*	\$1,328,606*	\$1,414,965*
MUS - Tuition/Other	\$877,810*	\$921,701*	\$981,611*	\$1,045,416*
Revenue:				
General Fund	\$0	\$0	\$0	\$0
MUS - Tuition/Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u><u>\$1,188,112*</u></u>	<u><u>\$1,247,517*</u></u>	<u><u>\$1,328,606*</u></u>	<u><u>\$1,414,965*</u></u>

Description of fiscal impact: HB 253 statutorily appropriates an additional 1% employer contribution for employees participating in the Montana University System defined contribution retirement plan (MUS ORP) that are paid from the current unrestricted fund. It then allows the Board of Regents the flexibility to increase employer contributions up to an additional 3% without funding the permissive increases.

*The additional statutory contribution of 1% would be required by HB 253 and is illustrated in the fiscal summary and fiscal impact tables of this fiscal note. The changes to the normal employer and employee contributions are permissive but the implications of these changes if adopted by the Board of Regents would be fiscally significant and are explained in further detail under the long term fiscal impact section of this document.

FISCAL ANALYSIS

Assumptions:

1. The MUS ORP retirement plan grows at a higher rate than the normal growth in salaries due to the requirement that all newly hired faculty and certain professional staff must join the ORP. When MUS staff members in TRS retire, they are replaced by staff that must enroll in ORP.

- For the fiscal note, it is assumed the MUS would increase the funded portion of the ORP employer contribution increase of 1%. A 1% increase in the ORP employer contributions is projected to be nearly \$2.1 million in FY 2014.
- Approximately 71% of the ORP covered payroll for the MUS is funded with current unrestricted funds. The state portion of the current unrestricted fund is 81% general fund and the remaining 19% is funded with tuition and other revenue. The state portion of the current unrestricted fund is included in the state general fund row below for expenditures and funding. The tuition and restricted or “other” MUS funds are recorded in the “MUS Tuition / Other” row for expenditures and funding.
- It would be a decision of the Board of Regents to determine, at a later date, if any action would be taken to increase the employer contribution any further. At this point, it is unknown if additional increases would take place. It is assumed that any permissive increases would be funded by tuition and fees.
- OCHE has employees participating in the MUS ORP that are not eligible for the state funding. A 1% increase would require OCHE to fund about \$8,500 in pension increases without receiving additional personal services funding in the 2015 biennium.

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$2,065,922	\$2,169,218	\$2,310,217	\$2,460,381
TOTAL Expenditures	\$2,065,922	\$2,169,218	\$2,310,217	\$2,460,381
<u>Funding of Expenditures:</u>				
MUS - General Fund (01)	\$1,188,112	\$1,247,517	\$1,328,606	\$1,414,965
MUS - Tuition/Other	\$877,810	\$921,701	\$981,611	\$1,045,416
TOTAL Funding of Exp.	\$2,065,922	\$2,169,218	\$2,310,217	\$2,460,381
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

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

MUS - General Fund (01)	(\$1,188,112)	(\$1,247,517)	(\$1,328,606)	(\$1,414,965)
MUS - Tuition/Other	(\$877,810)	(\$921,701)	(\$981,611)	(\$1,045,416)

***Long-Term Impacts:**

- Under current law and under HB 253, the Board of Regents (BOR) may reduce the employee contribution to an amount not less than 6%. Currently employees enrolled in the MUS ORP contribute 7.044% of their earned compensation.
- The changes to 19-21-203(2)(b), MCA, limit the maximum contributions to 17% of participants earned compensation (up from 13% under current law).
- The changes to 19-21-203(1)(c), 19-21-203(2)(a)(ii), and 19-21-203(2)(b), MCA, would allow the Board of Regents to increase the employer contribution up to an additional 4% of participants earned compensation.

4. For every 1% increase in employer contributions it would cost the state an additional \$1,188,112 of general fund and would require an additional \$877,810 in MUS tuition/other funds.
5. If the BOR chose to reduce employee contributions by 1.044% and increase the employer contribution by 4% to reach the maximum contribution limit of 17% in the bill, the additional general fund liability to the state would be \$5,314,424 per year beginning in FY 2016 and the additional MUS tuition/other funding liability would be \$3,926,444 beginning in FY 2016.

Sponsor's Initials

Date

Budget Director's Initials

Date