

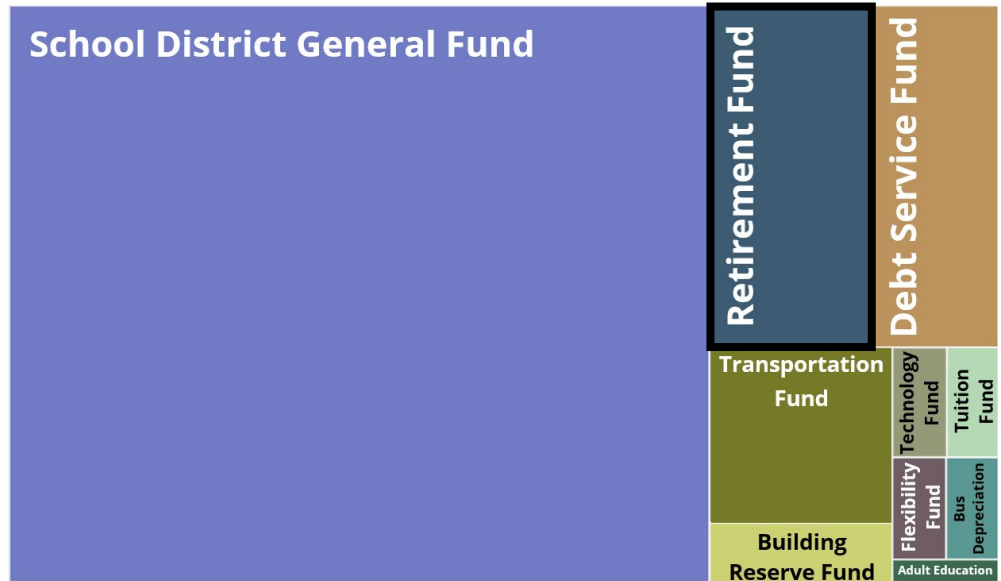
SCHOOL FUNDING BASICS: DISTRICT RETIREMENT FUND

EDUCATION INTERIM COMMITTEE
PAD MCCrackEN - JANUARY 2024

OVERVIEW AND PURPOSE

Purpose - for employer (district) **contributions** to TRS and PERS (school districts employ members of both systems) based on statutorily established rates, as well as for FICA and unemployment insurance. Retirement **benefits** are paid by TRS and PERS, not districts.

The school district retirement fund is the second largest budgeted fund next to the district general fund.



DISTRICT RETIREMENT FUND BASICS

Fun fact - school retirement (RET) costs are pooled at the county level; all county taxpayers support countywide school retirement costs through a countywide levy; there is no district levy for retirement.

How is the district retirement fund funded?

1. District fund balance reappropriated (any fund balance remaining from the prior year over the 20% reserve cap)
2. County non-levy revenue (county fund balance; county oil and gas, etc.)
3. Countywide levy
4. State RET GTB (if the county is eligible)

Reserve limit - 20% of the ensuing year's budget (this provides a cushion in case costs unexpectedly soar; any fund balance above the 20% reserve limit is reappropriated to reduce the requirement submitted to the county).

RETIREMENT FUND BUDGETING PROCESS

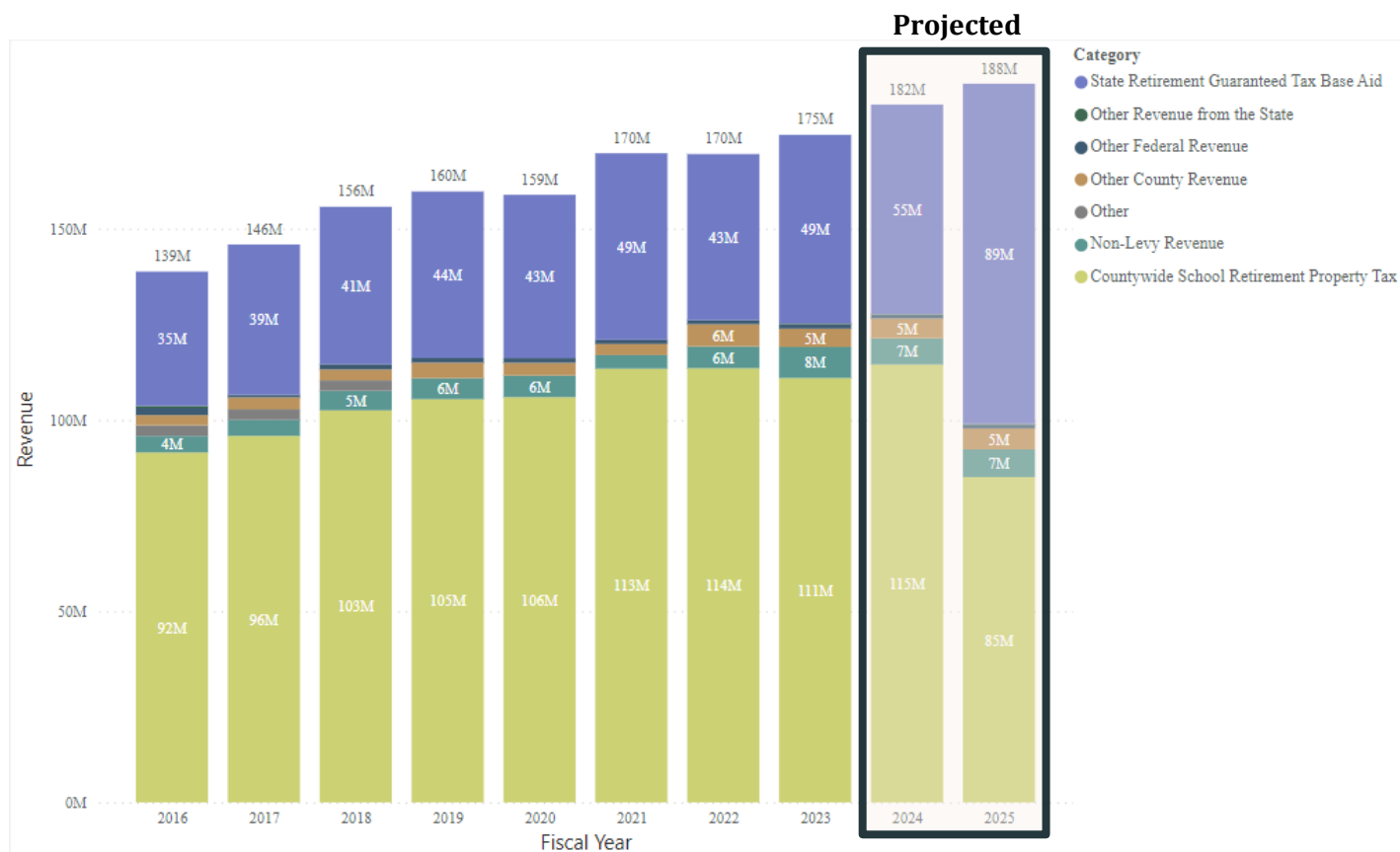
Each school district in the county calculates its estimated RET costs for the coming year. After subtracting any fund balance that exceeds the 20% reserve limit in the district's RET fund, the district communicates the required amount to the county superintendent.

The county superintendent totals all of the districts’ needs, then first utilizes any county RET fund balance and various non-levy revenue. Any remaining need is funded through a countywide property tax levy which is decreased if the county is eligible for retirement guaranteed tax base aid (GTB) as described below.

If a county’s taxable value (TV) divided by its total ANB is less than the statewide guarantee amount (the statewide TV/ANB * 1.89) the county is eligible for a state GTB subsidy on every RET mill it levies. The amount of the subsidy is the amount necessary to bring the county up to the statewide guarantee; “poorer” counties receive a larger subsidy per mill.

The county superintendent distributes each district's share on a monthly basis, and districts then remit their required contributions to TRS and PERS.

County retirement fund revenue 2014 to 2023 (from FP6b data files)



The projected decrease in countywide property taxes in FY 2025 reflects the increase in the RET GTB multiplier due to HB 587 (Jones; 2023). More counties will be eligible for more RET GTB subsidies.