

SUBJECT: Repealing delays of state payments

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 24 ayes — Junell, Delisi, Clemons, Coleman, Cook, Conley, H. Cuellar, R. Cuellar, Davis, Gallego, Glaze, Gray, Greenberg, Haggerty, Harris, Heflin, Hernandez, Johnson, Kubiak, Mowery, Ogden, Park, Raymond, S. Turner

0 nays

3 absent — Carona, McDonald, Swinford

SENATE VOTE: On final passage, January 19 — 29-0

WITNESSES: None

BACKGROUND: To free general revenue during the fiscal 1994-95 budget period, the 73rd Legislature enacted two bills delaying certain state payments into the next budget period. SB 81 by Barrientos delayed payments to the Teacher Retirement System (TRS) and Employee Retirement System (ERS), and SB 380 by Ratliff delayed payments to the Foundation School Program and certain higher education institutions.

The delayed-payment provisions are as follows:

- Education Code sec. 16.260(f) will delay payments under the Foundation School Fund Transfer Program until September 1, 1995. Specifically, subsection (f) will delay, for Category 2 (average wealth) schools, the payment of 12 percent of their annual entitlement, from June 25 and August 25 until September 1, 1995. For Category 3 (above average wealth) schools, 57 percent of their annual entitlement is to be withheld until September 1, 1995. Otherwise, those payments would be made by the 25th day of March, June, July and August 1995.
- Government Code secs. 403.0935 and 403.0936 permits the comptroller to withhold 5/48ths of the fiscal 1995 appropriation to institutions of higher learning and public junior colleges until the start of fiscal 1996.

- Sections 5 and 6 of Chapter 39, Acts of the 73rd Legislature, will defer payments to the ERS and the TRS. These sections will defer the June, July and August 1995 monthly payments to those systems until September 1995.

The appropriations made in the General Appropriations Act for fiscal 1994-95 (Chapter 1051, Acts of the 73rd Legislature, 1993) reflected the delay in the payments to TRS and ERS by not appropriating the deferred state payments to funds.

DIGEST: SB 8 would repeal the deferred payments provisions in current law. It would also amend the General Appropriations Act to increase the appropriation to TRS (by \$245,283,000) and ERS (\$64,500,000) to cover such payments. SB 8 would take immediate effect if approved by two-thirds of the membership of each house.

SUPPORTERS SAY: The delayed payments that SB 8 would repeal were enacted by the 73rd Legislature as a budgeting maneuver to free up funds for other purposes. These measures were necessary due to the lower revenue projections available at the time. The comptroller has since certified a surplus of \$2 billion for the current budget period. Now that the state has money to make the payments, totaling almost \$800 million, as originally intended, the payment deferrals are unnecessary and should be repealed.

If the state delays these payments until the next fiscal year, it will have to pay interest on the amount delayed. If SB 8 is approved and the payments are made on time, the state will avoid the interest payments. The Texas Performance Review estimated a savings of \$2.2 million in interest payments to the ERS and TRS.

OPPONENTS SAY: No apparent opposition.