

SUBJECT: District and charter school contributions to Teacher Retirement System

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 4 ayes — Ritter, McClendon, Grusendorf, Pena
0 nays
3 absent — Telford, Martinez Fischer, Rose

WITNESSES: For — Debbie Cabrera, Irving ISD; Tracy Hoke, Round Rock ISD
Against — None
On — Gwendolyn Santiago, Texas Association of School Business Officials

BACKGROUND: Government Code, sec. 825.405 specifies the method of calculating a school district's contributions to the Teacher Retirement System (TRS), based on the amount of each individual teacher's salary paid above the statutory minimum. Sec. 825.405(b) provides that the statutory minimum salary is the salary set by Education Code, sec. 21.402, or by former sections of the code, multiplied by the cost-of-education adjustment in the school finance formula applicable to the district where the member is employed.

DIGEST: CSHB 2445 would change the method of calculating the portion of the state's contribution to TRS paid by school districts and open-enrollment charter schools. During each school year, each school district and charter school would have to contribute to TRS an amount equal to 0.57 percent of the aggregate annual compensation of all system members employed that year.

The Texas Education Agency (TEA) would have to withhold a charter school's contribution to TRS from state aid to which the charter holder was entitled and remit the contribution directly to TRS. In turn, TRS would have to apply such remittances toward the charter holder's obligations to remit required contributions from active TRS members for the pension trust, the retired school employees group insurance fund, and the portion of the state's contributions required to be paid by the charter holder.

TEA would have to compute the amount to be withheld based on estimates of the number and salary of employees of each charter holder. Charter holders and TRS would have to provide any necessary information that TEA sought. TEA would have to adjust its computation as necessary to reflect changes in salary, employee, and other relevant information that it received.

In lieu of TEA's computation, TRS and a charter holder could agree to the amount or to a method for computing the amount that TEA had to withhold. On receipt of a written agreement, TEA would have to withhold an amount in accordance with the agreement and remit that amount to TRS.

In lieu of TEA withholding and remitting amounts, TRS and a charter holder could agree to a separate procedure for remitting required contributions. On receipt of a written agreement, TEA would have to suspend withholding and remitting the amount that applied to the charter holder, and the charter holder instead would remit the amount as provided by the agreement.

TRS unilaterally could cancel an agreement with a charter holder by giving written notice to the charter holder and TEA. After receiving notice of a cancellation, TEA would have to resume computing withholding amounts or resume withholding and remitting an amount.

TRS would have to establish rules for administering these provisions, including procedures for refunding a charter holder an amount remitted to TRS that exceeded the amount the charter holder was required to remit.

CSHB 2445 would repeal Government Code, sec. 825.405(b), establishing contributions based on the statutory minimum salary.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003. It would apply beginning with the 2003-04 school year.

**SUPPORTERS
SAY:**

CSHB 2445 would simplify the process for school districts and open-enrollment charter schools to contribute to TRS. Current law requires school districts to use a set of complicated, arcane calculations to determine the amount each district must contribute to TRS. These methods are so intricate that the TRS instruction manual for this process is 50 pages long.

The contribution procedures for contributions by open-enrollment charter schools need to be simplified as well. One state agency, TEA, sends money to charter schools and another one, TRS, has to recover employee contributions. TRS has had difficulty collecting contributions from open-enrollment charter schools. The process would be more efficient if TEA transferred contributions directly to TRS and eliminated the “middle man,” the charter holder.

The bill would establish a single calculation for determining school districts’ and charter holders’ contributions to TRS. The current formula for employee contributions is based on the amount of each salary paid above the statutory minimum salary. CSHB 2445 would change the calculation to a percentage of the aggregate annual compensation of school employees.

The bill would benefit school districts throughout the state. Smaller districts likely would save money, as calculating contributions often costs them more than they are worth. The bill also would benefit larger districts because they could build their budgets more efficiently if they had a flat percentage from which to work, rather than estimating trends. Schools’ financial directors would prefer to work from the exact amounts that this bill would allow.

**OPPONENTS
SAY:**

While simplifying calculations and procedures for school districts and charter schools, CSHB 2445 would impose sizeable new administrative duties on TEA. Since the enactment of HB 6 by Dunnam last session, TEA has handled increased administrative responsibilities involving charter schools. This bill would create additional bookkeeping requirements at a time when the agency faces significant budget cuts and a likely loss of about 120 employees.

NOTES:

The committee substitute amended the filed version of HB 2445 to conform with the Texas Legislative Council format.

A related bill, HB 229 by Grusendorf, was considered in a public hearing by the House Pensions and Investments Committee on March 17 and left pending.