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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/09

SPONSOR Park LAST UPDATED _____ HB 152

SHORT TITLE School Employee Salary Increases SB _____

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$165,600.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Office of Education Accountability (OEA)

SUMMARY

Synopsis of Bill

House Bill 152 appropriates \$165.6 million from the general fund to the Public Education Department for the purpose of providing an 8 percent salary increase to all public school employees, including transportation employees.

FISCAL IMPLICATIONS

The appropriation of \$165.6 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert to the general fund.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

Current actuarial estimates for annual Educational Retirement Board contributions are based on an average 5 percent salary increase over time. The 8 percent salary increase contained in this bill does not account for the amount needed to meet the actuarial requirements. The appropriation needs to be increased by approximately \$50 thousand to account for the difference needed. While the amount seems small, any deviation from the actuarial projections will continue to harm the long term solvency of the fund.

Salary increases are not recommended by the Executive, Legislative Finance Committee or the Legislative Educational Study Committee.

TECHNICAL ISSUES

The appropriation contained in this bill is made to the Public Education Department. The Legislature should consider making the appropriation to the State Equalization Guarantee Distribution for flow-through to the districts to carry out the provisions of the bill.

PA/svb