

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** SB 91

**49th Legislature, 2nd Session, 2010**

**Tracking Number:** .180489.3

**Short Title:** Delay Educational Retirement Contributions

**Sponsor(s):** Senator John Arthur Smith

**Analyst:** Eilani Gerstner

**Date:** February 2, 2010

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**Bill Summary:**

SB 91 delays until FY 12 the 0.75 percent increase in the employer contribution to the Educational Retirement Fund that would otherwise take effect in FY 11.

**Fiscal Impact:**

The bill does not have a fiscal impact in FY 11 for public school districts and charter schools since it proposes to delay the employer contribution to the fund.

**Fiscal Issues:**

If SB 91 is not enacted, approximately \$11.9 million will need to be absorbed by school districts and charter schools statewide to provide for a 0.75 percent increase in the employer contribution to the fund.

**Substantive Issues:**

In 2005, legislation was enacted to increase the employer and employee contributions to the fund in order to restore solvency to the fund, which had become insolvent by the end of FY 04. The employer contribution was set to increase by 5.25 percent over seven years (a 0.75 percent increase per year) to increase the employer's contribution from 8.65 percent in FY 05 to 13.9 percent in FY 12. The employee contribution increases included a 0.30 percent over a four-year period (a 0.075 percent increase per year), which resulted in 7.9 percent by FY 09.

The table below compares the provisions in current law with the provisions in SB 91.

| <b>Fiscal Year</b>                      | <b>Current Law:<br/>Employer<br/>Contribution</b> | <b>SB 91<br/>Changes to<br/>Employer<br/>Contribution</b> | <b>Current Law:<br/>Employee<br/>Contribution</b> |
|---|---|---|---|
| FY 06                                   | 9.4%  |   | 7.675%  |
| FY 07                                   | 10.15%  |   | 7.75%   |
| FY 08                                   | 10.9%   |   | 7.825%  |
| FY 09                                   | 11.65%  |   | 7.9%  |
| FY 10*                                  | 10.9%*  |   | 9.4%*   |
| FY 11*                                  | 11.65%*   | 10.90%  | 9.4%*   |
| FY 12                                   | 13.9%   | 13.15%  | 7.9%  |
| FY 13 and<br>subsequent<br>fiscal years | 13.9%   | 13.90%  | 7.9%  |

\*Indicates years for which the 1.5 percent employer/employee swap is in effect.

As the asterisk (\*) in the table indicates, in 2009, legislation was enacted to shift, in FY 10 and FY 11, 1.5 percent of the employer contribution to employees earning more than \$20,000 annually. These provisions will sunset on June 30, 2011.

**Related Bill(s):**

HB 3a *Education Appropriation Act*