# FISCAL NOTE

# HB 711 - SB 861

March 12, 2007

**SUMMARY OF BILL:** Decreases annually the percentage of the total premium that retired teachers with thirty or more years of service have to pay for participating in the Local Education Plan (LEP). Requires the retiree to pay 55% of the total premium during the first year of retirement. Decreases the portion retirees pay by 10% per year in each of the next three years of retirement. Decreases the portion retirees pay to 20% of the total premium for the fifth and all subsequent years of retirement.

## ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – $2,687,000 - FY08-09**
**$5,644,000 – FY09-10**
**$8,889,000 – FY10-11**
**$10,889,000 – FY11-12**

**Other Fiscal Impact – Beginning in FY12-13 and in each fiscal year thereafter, state expenditures would be expected to increase by the same percentage rate that the LEP premiums increase. For example, if the LEP premiums increase by 5% from FY11-12 to FY12-13, the estimated increase to state expenditures for FY12-13 would be approximately $11,433,000 (5% above the previous year).**

Assumptions:

- Current law requires retired teachers having thirty (30) or more years of service pay 55% of the total premium for participating in the LEP; the state pays the remaining 45% share.
- According to Finance and Administration, the average monthly contribution for all retired local education teachers is $319.21.
- The average annual insurance premium for all retired teachers for FY06-07 is estimated to be $6,964.58 ([$319.21 ÷ 55%] X 12 months = $6,964.58).
- Annual growth of insurance premiums is estimated to be 5.0%.
- The average number of retired teachers participating in the LEP with 30 or more years of service in any given year is estimated at 3,500.

- State costs under current law are estimated at $11,518,000, $12,094,000, $12,698,000, $13,333,000, and $14,000,000 for FY07-08 through FY11-12 respectively.
- As proposed in this bill, the state would pay the same 45% in FY07-08, 55% in FY08-09, 65% in FY09-10, 75% in FY10-11, and 80% in FY11-12 and in each fiscal year thereafter.
- If the state paid the higher percentages as proposed, the state's costs would be approximately $11,518,000, $14,781,000, $18,342,000, $22,222,000 and $24,889,000 for FY07-08 through FY11-12 respectively.
- As a result, state expenditures would increase $0 in FY07-08, approximately $2,687,000 in FY08-09, approximately $5,644,000 in FY09-10, approximately $8,889,000 in FY10-11, and approximately $10,889,000 in FY11-12.
- State expenditures would be expected to grow by 5% each fiscal year thereafter.
- There are no retroactive provisions in this legislation.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director