

FISCAL NOTE

SB 407 - HB 651

February 20, 2007

SUMMARY OF BILL: Authorizes teachers employed with local boards of education to participate in the state employees' 401(k) plan and requires the state to provide the same match to those teachers' 401(k) accounts as the state provides to its employees.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$13,853,000

Increase Local Govt. Expenditures* - \$9,235,000

Assumptions:

- Approximately 74,000 teachers could participate in the 401(k) plan.
- Sixty-five percent of teachers would enroll and defer income in the program to acquire the match amount ($74,000 \times 65\% = 48,100$).
- State matching contribution amount will remain constant at the \$40 monthly level currently authorized.
- Funding ratio for teacher cost between state and local is 60% state and 40% local education agencies.
- State cost would be \$13,853,000 ($48,100 \times \$40 \times 12 \times 60\%$).
- Local cost would be \$9,235,000 ($48,100 \times \$40 \times 12 \times 40\%$).

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

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



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James W. White, Executive Director

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