Optional Retirement Program
Summary of Recommendations - House
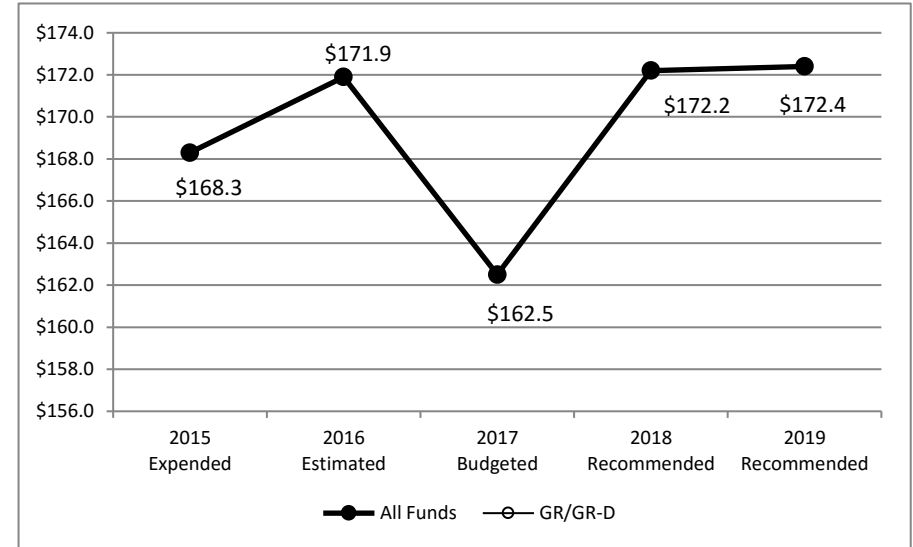
Page III-38

Historical Funding Levels (Millions)

Trevor Simmons, LBB Analyst

Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change ($)	Biennial Change (%)
General Revenue Funds	$254,108,977	$245,793,122	($8,315,855)	(3.3%)
GR Dedicated Funds	$80,295,887	$98,815,512	$18,519,625	23.1%
Total GR-Related Funds	*$334,404,864*	*$344,608,634*	*$10,203,770*	*3.1%*
Federal Funds	$0	$0	$0	0.0%
Other	$0	$0	$0	0.0%
All Funds	**$334,404,864**	**$344,608,634**	**$10,203,770**	**3.1%**

Chart data points: 2015 Expended $168.3; 2016 Estimated $171.9; 2017 Budgeted $162.5; 2018 Recommended $172.2; 2019 Recommended $172.4

Legend: All Funds — GR/GR-D

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs			0.0	0.0%

The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
Funding Changes and Recommendations:						
A) Decrease in General Revenue funding due to a decline of payroll covered by General Revenue.	($8.3)	$0.0	$0.0	$0.0	($8.3)	A.1.1.
B) Increase due to the growth of payroll covered by General Revenue-Dedicated Funds.	$0.0	$18.5	$0.0	$0.0	$18.5	A.1.1.
TOTAL Funding Changes and Recommendations (in millions)	**($8.3)**	**$18.5**	**$0.0**	**$0.0**	**$10.2**	As Listed
Funding Increases	$0.0	$18.5	$0.0	$0.0	$18.5	As Listed
Funding Decreases	($8.3)	$0.0	$0.0	$0.0	($8.3)	As Listed

NOTE: Totals may not sum due to rounding.

Optional Retirement Program
Selected Fiscal and Policy Issues - House

1. **State Contributions to the Optional Retirement Program.** Recommendations for 2018-19 are $344.6 million, which is $10.2 million, or 3.1 percent, above the 2016-17 base. The biennial increase is attributable to higher than anticipated growth in fiscal year 2016, offset to some extent by a projected decline in the institutional use of General Revenue to cover ORP participant payroll. Recommendations include funding sufficient to provide a 6.6 percent state contribution rate to the Optional Retirement Program for higher education employees in each year of the 2018-19 biennium, the same rate as the 2016-17 biennium.

   For the purpose of estimating state contributions, recommendations assume a payroll decline of 1.0 percent for the General Revenue portion of contributions to the Optional Retirement Program, and 3.0 percent growth for the General Revenue-Dedicated portion, based on recent trends. The 2016-17 General Appropriations Act budgeted 2.0 percent decline of General Revenue and a 4.0 percent growth of General Revenue-Dedicated.

   The 2018-19 assumptions roughly correlate with the average annual growth rates of contributions to ORP over the last ten years, which are a 0.9 percent decline for the portion covered by General Revenue, and 3.3 percent growth for the portion by General Revenue-Dedicated. These trends are driven by a decline in the institutional use of General Revenue to cover ORP participant payroll, and a corresponding increase in the use of statutory tuition (General Revenue-Dedicated) and other local funds. When the General Revenue and General Revenue-Dedicated portions of retirement are added together and projected through the 2018-19 biennium, the composite weighted average growth rate of the two methods of finance is approximately 0.1 percent.

2. **Limitation of General Revenue Fund Retirement Contributions to Public Junior and Community Colleges.** Recommendations include the limitations required by Senate Bill 1812, Eighty-third Legislature, for contributions to Public Junior and Community Colleges. These include a cap on state appropriations of 50 percent of the employer contribution for eligible Instructional and Administrative employees. In addition, the number of employees eligible to receive state contributions may not be adjusted in a proportion greater than the change in student enrollment at each community college district. Districts that experience a decline in enrollment may petition the Legislative Budget Board to maintain eligible employees up to 98 percent of the employee level of the previous biennium.

Optional Retirement Program
Appendices - House

Table of Contents		
Appendix	**Appendix Title**	**Page**
A	Funding Changes and Recommendations by Strategy	5
B	Summary of Federal Funds	*
C	FTE Highlights	*
D	Performance Measure Highlights	7
E	Summary of Ten Percent Biennial Base Reduction Options	*

* Appendix is not included - no significant information to report

Optional Retirement Program
Funding Changes and Recommendations by Strategy -- ALL FUNDS - House

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
OPTIONAL RETIREMENT PROGRAM A.1.1	$334,404,864	$344,608,634	$10,203,770	3.1%	
Total, Goal A, OPTIONAL RETIREMENT PROGRAM	**$334,404,864**	**$344,608,634**	**$10,203,770**	**3.1%**	
Grand Total, All Strategies	**$334,404,864**	**$344,608,634**	**$10,203,770**	**3.1%**	

Optional Retirement Program
Funding Changes and Recommendations by Strategy -- Supplemental - House

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
OPTIONAL RETIREMENT PROGRAM A.1.1	$334,404,864	$344,608,634	$10,203,770	3.1%	Recommendations include a state contribution rate of 6.6 percent of active member payroll.
GENERAL REVENUE FUNDS	$254,108,977	$245,793,122	($8,315,855)	(3.3%)	Estimated appropriations of General Revenue Funds reflect a payroll growth assumption of 1.2 percent in fiscal year 2016 (actual) and 1.0 decline each fiscal year in 2017, 2018, and 2019, based on long term trends. The base has been adjusted to incorporate 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
GR DEDICATED	$80,295,887	$98,815,512	$18,519,625	23.1%	Estimated appropriations of General Revenue-Dedicated Funds reflect a payroll growth assumption of 4.7 percent in 2016 (actual) and 3.0 percent growth in 2017, 2018, and 2019, based on long term trends. The base has been adjusted to incorporate 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
FEDERAL FUNDS	$0	$0	$0	0.0%	
OTHER FUNDS	$0	$0	$0	0.0%	
Total, Goal A, OPTIONAL RETIREMENT PROGRAM	**$334,404,864**	**$344,608,634**	**$10,203,770**	**3.1%**	
GENERAL REVENUE FUNDS	$254,108,977	$245,793,122	($8,315,855)	(3.3%)	
GR DEDICATED	$80,295,887	$98,815,512	$18,519,625	23.1%	
FEDERAL FUNDS	$0	$0	$0	0.0%	
OTHER FUNDS	$0	$0	$0	0.0%	
Grand Total, All Agency	**$334,404,864**	**$344,608,634**	**$10,203,770**	**3.1%**	
GENERAL REVENUE FUNDS	$254,108,977	$245,793,122	($8,315,855)	(3.3%)	
GR DEDICATED	$80,295,887	$98,815,512	$18,519,625	23.1%	
FEDERAL FUNDS	$0	$0	$0	0.0%	
OTHER FUNDS	$0	$0	$0	0.0%	

	Expended 2015	Expended 2016	Budgeted 2017	Recommended 2018	Recommended 2019
• *Number of Participants in the Optional Retirement Program*	37,702	37,613	37,613	37,613	37,613

Measure Explanation: Fiscal years 2015 and 2016 are actual per reports from the Texas Higher Education Coordinating Board. Estimates for 2017-19 are based on assumed 0.0 percent change. The average annual change in participation since 2002 is a decline of 0.1 percent.