Social Security and Benefit Replacement Pay
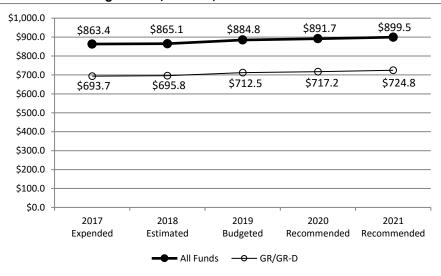**Summary of Recommendations - House**

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The Honorable Glenn Hegar, Comptroller of Public Accounts

Katy Fallon-Brown, LBB Analyst

Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change ($)	Biennial Change (%)
General Revenue Funds	$1,237,600,316	$1,265,681,746	$28,081,430	2.3%
GR Dedicated Funds	$170,683,116	$176,399,385	$5,716,269	3.3%
Total GR-Related Funds	*$1,408,283,432*	*$1,442,081,131*	*$33,797,699*	*2.4%*
Federal Funds	$190,651,654	$196,055,194	$5,403,540	2.8%
Other	$150,957,848	$153,072,647	$2,114,799	1.4%
All Funds	**$1,749,892,934**	**$1,791,208,972**	**$41,316,038**	**2.4%**

Historical Funding Levels (Millions)

Social Security and Benefit Replacement Pay

Social Security and Benefit Replacement Pay
Summary of Funding Changes and Recommendations - House

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):						
A) Increase in state contributions for Social Security and Medicare due to payroll growth and FTE growth.	$31.9	$6.2	$6.5	$3.0	$47.6	A.1.1
B) Decrease in Benefit Replacement Pay due to attrition of employees hired before September 1, 1995.	($3.9)	($0.5)	($1.1)	($0.9)	($6.3)	A.1.2
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	**$28.1**	**$5.7**	**$5.4**	**$2.1**	**$41.3**	As Listed
SIGNIFICANT & OTHER Funding Increases	$31.9	$6.2	$6.5	$3.0	$47.6	As Listed
SIGNIFICANT & OTHER Funding Decreases	($3.9)	($0.5)	($1.1)	($0.9)	($6.3)	As Listed

NOTE: Totals may not sum due to rounding.

Social Security and Benefit Replacement Pay
Selected Fiscal and Policy Issues - House

1. **Social Security and Medicare.** The state pays the employer contribution of federal Social Security and Medicare payroll taxes for state agency and higher education employees. Recommendations include a net increase of $47.6 million in All Funds ($38.1 million in General Revenue-Related Funds) from the 2018-19 biennium based on the following assumptions:
   - Continued employer contribution rates of 6.2 percent of salary for Social Security and 1.45 percent of salary for Medicare;
   - 10 percent judicial salary increase;
   - 0.5 percent payroll growth for state agency employees in fiscal years 2019, 2020, and 2021;
   - 3.01, 1.91, and 2.02 percent payroll growth for higher education employees in fiscal years 2019, 2020, and 2021, respectively;
   - FTE growth at the Health and Human Services Commission, the Texas Education Agency, the Teacher Retirement System, the Department of Public Safety, and the Railroad Commission; and
   - Method of finance transfers at the Historical Commission and the Railroad Commission.

2. **Benefit Replacement Pay.** The state currently pays certain employees a supplemental benefit to replace the amount that the state previously paid for the employee's social security contribution before September 1, 1995. Recommendations include a decrease of $6.3 million in All Funds ($4.3 million in General Revenue-Related Funds) from the 2018-19 biennium because of increasing turnover among these employees. Recommendations assume annual reductions of 14 percent in fiscal year 2019 and 15 percent in the 2020-21 biennium and incorporate a method of finance transfer at the Railroad Commission.

Social Security and Benefit Replacement Pay
Appendices - House

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* Appendix is not included - no significant information to report

Social Security and Benefit Replacement Pay
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
STATE MATCH -- EMPLOYER A.1.1	$1,726,792,408	$1,774,438,982	$47,646,574	2.8%	Recommendations reflect a net increase of $47.6 million in All Funds based on the following assumptions: - Continued employer contribution rates of 6.2 percent of salary for Social Security and 1.45 percent of salary for Medicare; - 10 percent judicial salary increase; - 0.5 percent payroll growth for state agency employees in fiscal years 2019, 2020, and 2021; - 3.01, 1.91, and 2.02 percent payroll growth for higher education employees in fiscal years 2019, 2020, and 2021, respectively; and - FTE growth and method of finance transfers at select agencies.
BENEFIT REPLACEMENT PAY A.1.2	$23,100,526	$16,769,990	($6,330,536)	(27.4%)	Recommendations reflect a decrease of $6.3 million in All Funds and assume: - annual reductions of 14 percent in fiscal year 2019 and 15 percent in fiscal years 2020 and 2021, and - a method of finance transfer at the Railroad Commission.
Total, Goal A, SOCIAL SECURITY/BENEFIT REPLACEMENT	**$1,749,892,934**	**$1,791,208,972**	**$41,316,038**	**2.4%**	
Grand Total, All Strategies	**$1,749,892,934**	**$1,791,208,972**	**$41,316,038**	**2.4%**	