

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

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The Honorable Glenn Hegar, Comptroller of Public Accounts

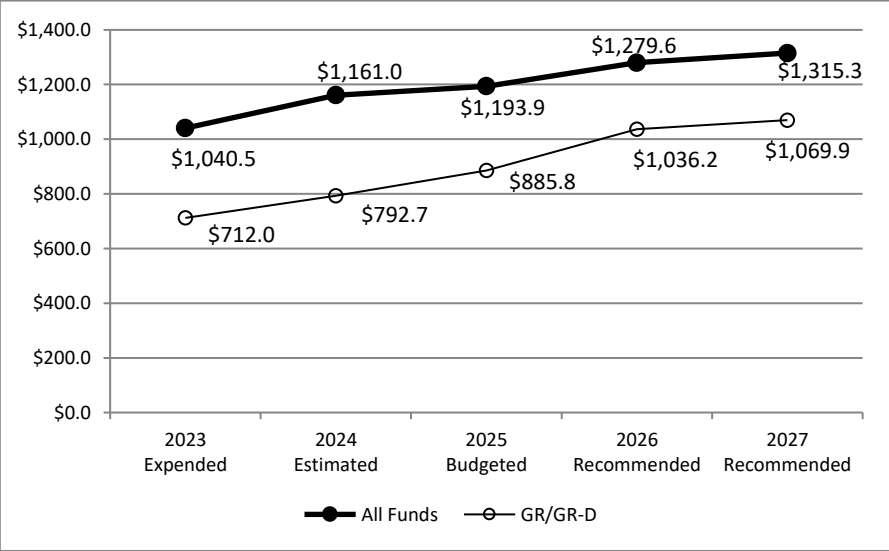
John Posey, LBB Analyst

Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$1,476,282,560	\$1,886,492,833	\$410,210,273	27.8%
GR Dedicated Funds	\$202,201,106	\$219,579,943	\$17,378,837	8.6%
<i>Total GR-Related Funds</i>	<i>\$1,678,483,666</i>	<i>\$2,106,072,776</i>	<i>\$427,589,110</i>	<i>25.5%</i>
Federal Funds	\$488,996,911	\$286,465,149	(\$202,531,762)	(41.4%)
Other	\$187,404,777	\$202,346,225	\$14,941,448	8.0%
All Funds	\$2,354,885,354	\$2,594,884,150	\$239,998,796	10.2%

Agency Budget and Policy Issues and/or Highlights

The substantial increase in General Revenue funds and substantial decrease in Federal Funds is largely due to the provisions of Article IX, Sec. 18.01, American Rescue Plan Act Appropriations, of the 2024-25 General Appropriations Act. This section appropriated \$5.4 billion in federal ARPA funds for salaries and associated benefits to the Texas Department of Criminal Justice in the 2024-25 biennium. The federal funds have been replaced with General Revenue for the 2026-27 biennium.

Historical Funding Levels (Millions)



The bill pattern for this agency (2026-27 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2026-27 biennium.

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

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Increase in state contributions for Social Security and Medicare due to payroll growth.	\$411.1	\$17.6	(\$202.0)	\$15.2	\$241.9	A.1.1
B)	Decrease in Benefit Replacement Pay due to attrition of employees hired before September 1, 1995.	(\$0.9)	(\$0.2)	(\$0.6)	(\$0.3)	(\$1.9)	A.1.2
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$410.2	\$17.4	(\$202.5)	\$14.9	\$240.0	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$411.1	\$17.6	\$0.0	\$15.2	\$241.9	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$0.9)	(\$0.2)	(\$202.5)	(\$0.3)	(\$1.9)	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 \$241.9 million in All Funds (\$428.6 million in General Revenue-Related Funds) from the 2024-25 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;
 - 0.93 percent payroll growth for state agency employees in fiscal years 2025, 2026, and 2027;
 - 5.4 percent payroll growth for higher education employees in fiscal year 2025, 5.5 percent payroll growth in fiscal year 2026, and 5.6 percent payroll growth in fiscal year 2027;
 - Replacement of federal ARPA funds with General Revenue in the 2026-27 biennium at the Texas Department of Criminal Justice;
 - FTE growth at the Health and Human Services Commission, Texas Department of Criminal Justice, and the Texas Department of Transportation; and
 - Funding for salaries and associated benefits to biennialize the statewide salary adjustments included in the 2024-25 appropriations.

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 \$1.9 million in All Funds (\$1.1 million in General Revenue-Related Funds) from the 2024-25 biennium because of increasing turnover among these employees. Recommendations assume annual reductions of 18.7 percent in fiscal years 2025, 2026, and 2027 biennium.

**Social Security and Benefit Replacement Pay
Rider Highlights - House**

Modification of Existing Riders

1. Informational Listing of Appropriated Funds. Revise rider to reflect benefit recommendations for the 2026-27 biennium.

**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 by Strategy - House -- ALL FUNDS**

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
STATE MATCH -- EMPLOYER 1.1.1	\$2,349,341,422	\$2,591,219,782	\$241,878,360	10.3%	Recommendations reflect a net increase of \$241.9 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; - 0.93 percent payroll growth for state agency employees in fiscal years 2025, 2026 and 2027; - 5.4 percent payroll growth for higher education employees in fiscal years 2025, 5.5 percent payroll growth in 2026, and 5.6 percent payroll growth in 2027; - FTE growth at the Health and Human Services Commission, Texas Department of Criminal Justice, and the Texas Department of Transportation; and - Funding for salaries and associated benefits to biennialize the statewide salary adjustments included in the 2024-25 appropriations.
BENEFIT REPLACEMENT PAY 1.1.2	\$5,543,932	\$3,664,368	(\$1,879,564)	(33.9%)	Recommendations reflect a decrease of \$1.9 million in All Funds and assume annual reductions of 18.7 percent in fiscal years 2025, 2026, and 2027.
Total, Goal 1, SOCIAL SECURITY/BENEFIT REPLACEMENT	\$2,354,885,354	\$2,594,884,150	\$239,998,796	10.2%	
Grand Total, All Strategies	\$2,354,885,354	\$2,594,884,150	\$239,998,796	10.2%	