

Section 1

Optional Retirement Program
Summary of Recommendations - Senate

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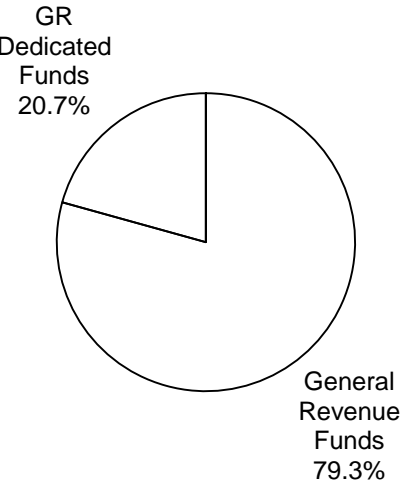
Pattie Featherston, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$271,017,783	\$258,757,827	(\$12,259,956)	(4.5%)
GR Dedicated Funds	\$62,409,038	\$67,501,616	\$5,092,578	8.2%
Total GR-Related Funds	\$333,426,821	\$326,259,443	(\$7,167,378)	(2.1%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$333,426,821	\$326,259,443	(\$7,167,378)	(2.1%)

	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	0.0	0.0	0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

RECOMMENDED FUNDING
BY METHOD OF FINANCING

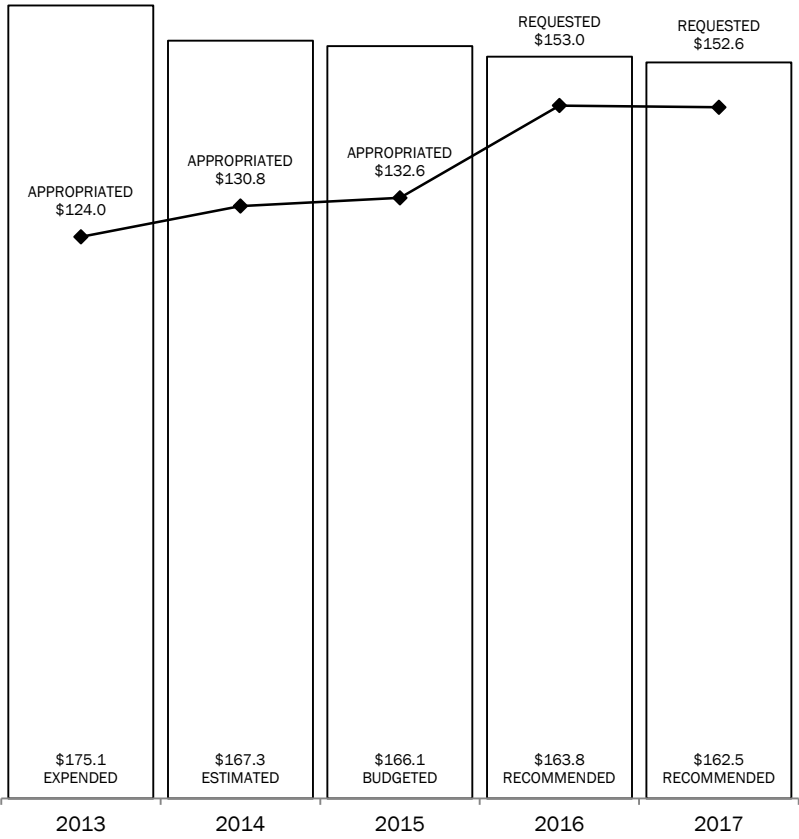


Section 1
Optional Retirement Program

2016-2017 BIENNIUM
IN MILLIONS

TOTAL= \$326.3 MILLION

ALL FUNDS



Section 2

Optional Retirement Program
Summary of Recommendations - Senate, By Method of Finance -- Supplemental

Strategy/Fund Type/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments (Optional)
OPTIONAL RETIREMENT PROGRAM A.1.1	\$333,426,821	\$326,259,443	(\$7,167,378)	(2.1%)	Recommendations include a state contribution rate of 6.6 percent of active member payroll. Estimated appropriations reflect a payroll growth assumption of 5.4 percent in fiscal year 2014 (actual) and 4.0 percent in fiscal years 2015, 2016, and 2017, offset by a projected decline in the institutional use of General Revenue to pay for ORP payroll.
GENERAL REVENUE FUNDS	\$271,017,783	\$258,757,827	(\$12,259,956)	(4.5%)	Pursuant to Senate Bill 1812, Eighty-third Legislature, recommendations include a reduction for the 50.0 percent cap on General Revenue appropriations for contributions for Public Junior and Community College employees. The statute provides an additional limitation in that 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. See Selected Fiscal and Policy Issues #1 and #2.
GR DEDICATED	\$62,409,038	\$67,501,616	\$5,092,578	8.2%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
Total, Goal A, OPTIONAL RETIREMENT PROGRAM	\$333,426,821	\$326,259,443	(\$7,167,378)	(2.1%)	

Section 3

Optional Retirement Program
Selected Fiscal and Policy Issues - Senate

- 1. **State Contribution for the Optional Retirement Program.** 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 2016-17 biennium, the same rate as the 2014-15 biennium.

2016-17 recommendations of \$326.3 million are \$7.2 million, or 2.1 percent, below the 2014-15 base. The biennial decrease is attributable to projected modest participation growth and a projected decline in the institutional use of General Revenue to pay for ORP participant payroll.

The 2014-15 base is approximately \$70.0 million, or 26.6 percent, more than 2014-15 appropriations, primarily due to payroll growth. Statute allows employing institutions to contribute additional amounts above the state contribution rate up to 1.9 percent for a total employer contribution rate of 8.5 percent, which is funded by funds outside of state appropriations. See Selected Fiscal and Policy Issue #2.

- 2. **Limitation of General Revenue Fund Retirement Contributions to Public Junior and Community Colleges.** The recommendation includes 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 50.0 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 98.0 percent of the employee level of the previous biennium.

Section 3

Optional Retirement System
Performance Measure Highlights - Senate

		Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
•	Number of ORP Participants	37,404	38,152	38,915	39,693	40,487
	Fiscal year 2013 is actual per Texas Higher Education Coordinating Board. Estimates for 2014-2017 are based on a projected 2 percent growth per year.					

Section 5

Optional Retirement System
Rider Highlights - Senate

- #5. **Limitation on Retirement Contributions to Public Community/Junior Colleges.** Recommendations modify the rider due to the passage of SB 1812 by the Eighty-third Legislature. See Selected Fiscal and Policy Issue #2.
- #6. **ORP Membership Reporting Requirements.** Recommendations delete the rider because the Government Code §830.006 already requires annual reporting to the Texas Higher Education Coordinating Board of the number of employees that are eligible for ORP and that are participating.

Section 6

Optional Retirement Program
Items not Included in the Recommendations - Senate

None

Section 7

Optional Retirement Program Summary of 10 Percent Biennial Base Reduction Options - Senate

Not applicable. The June 23, 2014 Legislative Budget Board and Governor's Office letter directing Legislative Appropriation Requests exempted contributions necessary for state pension systems and employee group benefits.