

Social Security and Benefit Replacement Pay
Summary of Budget Recommendations - Senate

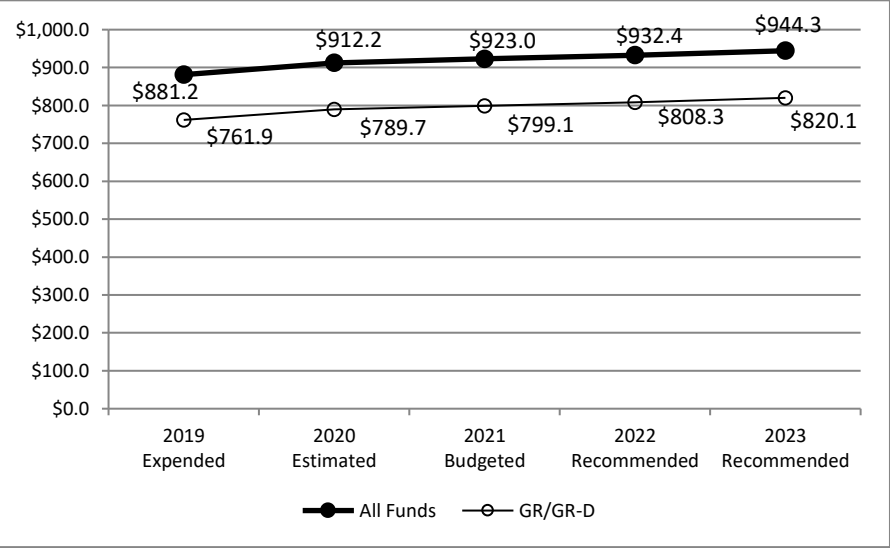
Page I-31

The Honorable Glenn Hegar, Comptroller of Public Accounts

John Posey, LBB Analyst

| Method of Financing | 2020-21 Base | 2022-23 Recommended | Biennial Change (\$) | Biennial Change (%) |
|------------------------|-----------------|------------------------|-------------------------|------------------------|
| General Revenue Funds | \$1,403,286,946 | \$1,435,478,002 | \$32,191,056 | 2.3% |
| GR Dedicated Funds | \$185,496,210 | \$192,939,992 | \$7,443,782 | 4.0% |
| Total GR-Related Funds | \$1,588,783,156 | \$1,628,417,994 | \$39,634,838 | 2.5% |
| Federal Funds | \$105,346,539 | \$105,928,652 | \$582,113 | 0.6% |
| Other | \$141,080,570 | \$142,386,800 | \$1,306,230 | 0.9% |
| All Funds | \$1,835,210,265 | \$1,876,733,446 | \$41,523,181 | 2.3% |

Historical Funding Levels (Millions)



The bill pattern for this agency (2022-23 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2022-23 biennium.

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

| Funding Changes and Recommendations for the 2022-23 Biennium compared to the 2020-21 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. | \$35.3 | \$7.8 | \$1.0 | \$2.0 | \$46.1 | A.1.1 |
| B) | Decrease in Benefit Replacement Pay due to attrition of employees hired before September 1, 1995. | (\$3.1) | (\$0.4) | (\$0.5) | (\$0.7) | (\$4.6) | A.1.2 |

OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):

| | | | | | | |
|--|---------------|--------------|--------------|--------------|---------------|-----------|
| TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions) | \$32.2 | \$7.4 | \$0.6 | \$1.3 | \$41.5 | As Listed |
| <i>SIGNIFICANT & OTHER Funding Increases</i> | \$35.3 | \$7.8 | \$1.0 | \$2.0 | \$46.1 | As Listed |
| <i>SIGNIFICANT & OTHER Funding Decreases</i> | (\$3.1) | (\$0.4) | (\$0.5) | (\$0.7) | (\$4.6) | As Listed |

NOTE: Totals may not sum due to rounding.

**Social Security and Benefit Replacement Pay
Selected Fiscal and Policy Issues - Senate**

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 \$46.1 million in All Funds (\$43.1 million in General Revenue-Related Funds) from the 2020-21 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;
 - 0.5 percent payroll growth for state agency employees in fiscal years 2021, 2022 and 2023;
 - 3.0 percent payroll growth for higher education employees in fiscal years 2021, 2022, and 2023;
 - FTE growth at the Cancer Prevention and Research Institute of Texas, the Department of Motor Vehicles, General Land Office, Texas Division of Emergency Management, the Department of Public Safety, and the Water Development Board; and
 - FTE decline at the Department of Criminal Justice, the Department of Family and Protective Services, and the Office of the Attorney General.
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 \$4.6 million in All Funds (\$3.5 million in General Revenue-Related Funds) from the 2020-21 biennium because of increasing turnover among these employees. Recommendations assume annual reductions of 17.2 percent in fiscal years 2021, 2022, and 2023 biennium.

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

Modification of Existing Riders

1. **Informational Listing of Appropriated Funds.** Revise rider to reflect benefit recommendations for 2022-23.

Social Security and Benefit Replacement Pay
Appendices - Senate

| Table of Contents | | |
|-------------------|---|------|
| Appendix | Appendix Title | Page |
| A | Funding Changes and Recommendations by Strategy | 6 |
| B | Summary of Federal Funds | * |
| C | FTE Highlights | * |

* Appendix is not included - no significant information to report

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

| Strategy/Goal | 2020-21 Base | 2022-23 Recommended | Biennial Change | % Change | Comments |
|---|------------------------|------------------------|---------------------|-------------|--|
| STATE MATCH -- EMPLOYER 1.1.1 | \$1,820,694,047 | \$1,866,781,357 | \$46,087,310 | 2.5% | Recommendations reflect a net increase of \$46.1 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; - 0.5 percent payroll growth for state agency employees in fiscal years 2021, 2022 and 2023; - 3.0 percent payroll growth for higher education employees in fiscal years 2021, 2022, and 2023; and - FTE growth at the Cancer Prevention and Research Institute of Texas, the Department of Motor Vehicles, General Land Office, Texas Division of Emergency Management, the Department of Public Safety, and the Water Development Board; - FTE decline at the Department of Criminal Justice, the Department of Family and Protective Services, and the Office of the Attorney General. |
| BENEFIT REPLACEMENT PAY 1.1.2 | \$14,516,218 | \$9,952,089 | (\$4,564,129) | (31.4%) | Recommendations reflect a decrease of \$4.6 million in All Funds and assume annual reductions of 17.2 percent in fiscal years 2021, 2022, and 2023. |
| Total, Goal 1, SOCIAL SECURITY/BENEFIT REPLACEMENT | \$1,835,210,265 | \$1,876,733,446 | \$41,523,181 | 2.3% | |
| Grand Total, All Strategies | \$1,835,210,265 | \$1,876,733,446 | \$41,523,181 | 2.3% | |