COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION

MEASURE

2016 BR NUMBER **1015** **HOUSE** BILL NUMBER **1GA**

RESOLUTION NUMBER_____ AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to funding for the Kentucky Teachers' Retirement System, making an appropriation therefor, and declaring an emergency.

SPONSOR Representative Gregory Stumbo

NOTE SUMMARY

FISCAL ANALYSIS: ☒ IMPACT ☐ NO IMPACT ☐ INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: ☒ STATE ☒ LOCAL ☐ FEDERAL

BUDGET UNIT(S) IMPACT: **Kentucky Teachers' Retirement System, Kentucky Department of Education, Education and Workforce Development Cabinet, local school districts, postsecondary institutions**

FUND(S) IMPACT: ☒ GENERAL ☐ ROAD ☒ FEDERAL ☒ RESTRICTED AGENCY _____ ☐ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES		$510,773,800	$493,594,400	Indeterminable
NET EFFECT		($510,773,800)	($493,594,400)	(Indeterminable)

( ) indicates a decrease/negative

MEASURE'S PURPOSE: The bill requires the full actuarially required contribution to be paid to the Kentucky Teachers' Retirement System (KTRS) beginning in fiscal year 2016-2017.

PROVISIONS/MECHANICS:

Section 1 amends KRS 161.550 to require the actuarially required contribution (ARC) be paid by the various agencies with employees covered by KTRS. The funds would be paid from the same types of fund sources from which the employees' salaries are paid.

Section 1 also details the General Assembly's intent to pledge the reduced amount of debt service for previously issued bonds toward the ARC.

Section 2 requires the General Assembly, through the budget process, to pay the full cost of the ARC in fiscal biennium 2016-2018 from the General Fund, rather than through employer contributions as detailed in Section 1.

Section 3 declares an emergency. The bill would take effect upon its passage and approval by the governor or otherwise becoming law.

FISCAL EXPLANATION: For fiscal year 2016-2017, KTRS reported the ARC to be $520,372,000. For fiscal year 2017-2018, KTRS reported the ARC to be $512,883,000. These are the additional amounts needed above the existing statutory and budgeted amounts to eliminate the unfunded pension liability over a closed 30-year period.

The 2014 Budget Bill made the same pledge on debt service payments contained in Section 1 of this bill. For fiscal year 2016-2017, that amount is $9,598,200, and for fiscal year 2017-2018, that amount is $19,288,600. These amounts are already included in the budgeted amounts for KTRS, so they are not included in the impact of this bill.

Furthermore, language in Section 2 states that the remaining funds in fiscal biennium 2016-2018 will be paid from the General Fund, rather than being "picked up" by the various employers.

The ARC for fiscal year 2018-2019 and beyond is dependent on several factors, including payroll, potential benefit changes, investment returns, etc. Therefore, the impact is indeterminable at this time. However, employers would be responsible for their portion of the ARC, to be paid from federal funds and agency funds as well as their General Fund appropriations. Therefore, while the impact within the fiscal biennium will be solely to the KTRS and the General Fund, the various employers will be impacted in future years, as will their relevant fund sources.

DATA SOURCE(S): **LRC Staff**
PREPARER: **Chuck Truesdell** **NOTE NUMBER**: **161** **REVIEW**: **JRS** **DATE**: **3/28/2016**

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