

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3599</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>9602</b>
<b>Author:</b>	<b>Rep. Dustin Roberts</b>
<b>Date:</b>	<b>2/24/2020</b>
<b>Impact:</b>	<b>OTRS: unknown negative impact</b>

**Research Analysis**

HB3599, as introduced, relates to the Teachers' Retirement System of Oklahoma (OTRS) and the employer contribution requirements for employee positions that are paid for by externally-sponsored agreements such as grants, contracts or cooperative agreements. Effective March 1, 2020, the measure eliminates the requirement that an additional matching contribution be paid to OTRS for positions that are paid for by external, nonfederal sources of funds.

Currently, to fund the retirement and pension benefits of these externally-sponsored positions, an employer is required to contribute an additional amount on top of the 9.5 percent employer contribution rate. The OTRS Board of Trustees makes an annual determination of the additional amount required and for fiscal year 2019, the matching contribution rate was 7.7 percent of the applicable member's regular annual compensation.

Prepared By: Quyen Do

**Fiscal Analysis**

HB 3599 in its current form eliminates certain contribution to OTRS related to salaries paid by certain external sources. The measure seeks to preserve such payments when related to salaries paid through federal funds. OTRS estimates that in 2019 approximately \$27 Million in such contributions were collected by OTRS based on salaries funded by federal funds and other external sources. In OTRS accounting of the \$27 Million in such revenues, no distinction is made between federal and external sources; therefore, OTRS is unable to estimate how much of the \$27 Million would be lost as a result of the provisions of HB 3599. HB 3599 will result in a loss of certain revenues to OTRS. The annual amount of such lost revenue will be some unknown subset of the current \$27 Million being collected.

Prepared By: John McPhetridge

**Other Considerations**

OTRS has concerns regarding the impact of HB 3599 on such contributions from federal funds. Though the statutory amendments of HB 3599 seek to preserve such contributions from federal funds; federal regulations prohibit discriminatory treatment of federal sources compared to non-federal sources in rate setting environments. Exempting non-federal entities from the current contribution method, could result in a refusal to pay such contributions by the federal government.

