

# STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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**Assembly Bill 81,** Assembly Member Cunneen (amended 2/4/99)

**Position:** Support

**Proponents:** SEMI (Semiconductor Equipment Materials International, (Sponsor)), CTA

**Opponents:** None known

### SUMMARY

AB 81 exempts from the current limitation on creditable earnings members who retired for service on or before July 1, 1998 and are subsequently employed by a high school to teach math and science, effective July 1, 2000. This provision expires July 1, 2002. The bill also amends the Revenue and Taxation Code to authorize a 50 percent tax credit through 2003 for taxpayers for qualified expenses, as defined, incurred in lending qualified employees to public high schools, community colleges, or vocational institutions for the purpose of teaching math and science.

### HISTORY

Chapter 1, Statutes of 1997 (AB 18-Mazzoni) retroactively made operative the provisions of Chapter 948, Statutes of 1996 (AB 1068-Mazzoni). These bills allowed an exemption to the earnings limit for members who retired on or before July 1, 1996 and were subsequently hired to alleviate the teacher shortage caused by the passage of the Class Size Reduction Program in grades K-3. This exemption was extended by Chapter 965, Statutes of 1998 (AB 2765-Assembly PER&SS) to members who retired on or before July 1, 1998. The existing earnings limit exemption expires July 1, 2002.

### CURRENT PRACTICE

Members retired for service may earn compensation up to \$18,750 in 1998-99 for creditable service during the school year, without a reduction in the retirement allowance. Any creditable earnings in excess of this amount result in a dollar-for-dollar reduction in the retirement allowance up to the annual allowance. The member is eligible for an exemption from this limit if the member retired for service prior to July 1, 1998 and is employed by a school district under the following conditions:

1. The member
  - a. Provides classroom instruction to students in newly created K-3 classrooms, or
  - b. Is temporarily filling a position in grades 4-12 vacated due to a teacher who transferred to a classroom in K-3 in the same district because of the Class Size Reduction Program.
2. The member is treated as part of a distinct class of temporary employees within the existing bargaining unit, and
3. The employing school district submits documents required by the California State Teachers' Retirement System (CalSTRS) to substantiate the eligibility of the member for the exemption.

## **DISCUSSION**

AB 81 creates an additional exemption to the earnings limitation from July 1, 2000 until July 1, 2002. Under the bill, districts could hire members who retired for service on or before July 1, 1998 to teach high school mathematics and science classes without having to meet the current requirement that the vacancy be caused by a transfer of a teacher in the same district to a K-3 classroom created for the Class Size Reduction Program. Both the employing district and the Commission on Teacher Credentialing would have to submit documents required by CalSTRS to substantiate the eligibility of the member for the exemption.

AB 81 also provides a 50 percent tax credit to companies for expenses incurred through 2003 in lending a qualified employee to a public school or vocational institution for purposes of teaching math or science. Because these provisions would not directly affect CalSTRS, they will not be discussed in this analysis.

## **FISCAL IMPACT**

Benefit program – Extending the earnings limitation should have no material effect on the amount spent by CalSTRS on benefits. Although members who would receive creditable earnings in excess of the limit would receive more in benefits under this bill than they would receive under current law, this assumes the member would continue to work once he or she reached the earnings limit in the absence of the proposed exemption. Because the current law reduces a member's retirement allowance by the entire amount that creditable earnings exceed the earnings limitation, very few members receive creditable earnings in excess of the limit. In fact, the number of retired members who exceeded the limit in 1997-98 without an earnings limit exemption was about one-half of one percent of the retired membership. The exemption proposed in this bill is more narrowly applied than the existing exemption for the Class Size Reduction Program. As a result, the number of retired members who would receive the proposed exemption should be less than the number of members who work under the Class Size Reduction Program exemption.

Administrative – The Client Benefit and Services Branch staff estimate that approximately .3 PYs and \$13,000 in one-time costs would be incurred to modify existing program processes and computer programs, and to notify affected employers and members. Ongoing costs incurred by the expansion of the program are estimated at approximately \$29,000 annually. These estimates include the increased workload necessary to coordinate and monitor employers' compliance with CalSTRS exemption criteria and the clerical support required to maintain the database of earnings accrued by retired members. CalSTRS could absorb these estimated costs within existing resources.

## **POSITION**

The Board adopted a Support position on the portion of the bill concerning the earnings limitation exemption. The bill prudently expands the benefits paid to members, and would not materially affect the benefit costs of the retirement fund. The bill also may provide a means by which high schools could obtain additional teachers in math and science, which are subject areas that some districts have had difficulty in securing an adequate number of teachers.