

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 13, 2003

TO: Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3365 by Isett (Relating to transferring deferred compensation plans for state employees from the Employees Retirement System to the Comptroller of Public Accounts.), As **Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3365, As Introduced: a negative impact of (\$2,078,459) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$1,209,075)
2005	(\$869,384)
2006	(\$897,612)
2007	(\$928,663)
2008	(\$962,818)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/(Cost) from <i>ERS Trust Account 997</i>	Change in Number of State Employees from FY 2003
2004	(\$1,209,075)	\$674,662	9.5
2005	(\$869,384)	\$674,662	9.5
2006	(\$897,612)	\$674,662	9.5
2007	(\$928,663)	\$674,662	9.5
2008	(\$962,818)	\$674,662	9.5

Fiscal Analysis

This bill would transfer the deferred compensation plans for state employees from the Employees Retirement System to the Comptroller of Public Accounts.

Methodology

The bill does not address the status of the third-party administrator that currently administers the deferred compensation program, nor the Employees Retirement System's current administrative costs. Based on information provided in the Employees Retirement System's Annual Financial Rept for

Fiscal Year 2002, ERS spent approximately \$674,662 to administer the deferred compensation program. If the program is transferred to the Comptroller, it is assumed that a similar amount of savings would occur in ERS operating costs (as shown in the Fiscal Impact table).

The Comptroller's Office estimates that additional staff of 9.5 full-time equivalent positions and operating costs that exceed \$800,000 per fiscal year will be required to administer the deferred compensation plan. (See Fiscal Impact table.)

Technology

One-time programming costs of \$97,302 would occur in fiscal year 2004. In addition, leasing computers for the new staff required to administer the transferred program would cost \$307,060 in fiscal year 2004; \$296,222 in fiscal year 2005; \$324,450 in fiscal years 2006 and 2007; and, \$389,656 in fiscal year 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: JK, JO, RR, MS, ZS