

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

TO: Honorable Craig Eiland, Chair, House Committee on Pensions & Investments

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2976 by Hegar (Relating to the benefits and compensation of retired state employees who return to state employment.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2976, As Introduced: a positive impact of \$10,897,032 through the biennium ending August 31, 2007.

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
2006	\$5,241,967
2007	\$5,655,065
2008	\$6,068,165
2009	\$6,481,264
2010	\$6,894,363

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>GR DEDICATED ACCOUNTS 994</i>	Probable Revenue Gain/(Loss) from <i>FEDERAL FUNDS 555</i>	Probable Revenue Gain/(Loss) from <i>OTHER SPECIAL STATE FUNDS 998</i>
2006	\$5,241,967	\$551,786	\$1,839,286	\$45,983
2007	\$5,655,065	\$595,270	\$1,984,234	\$49,606
2008	\$6,068,165	\$638,754	\$2,129,180	\$53,230
2009	\$6,481,264	\$682,238	\$2,273,678	\$56,854
2010	\$6,894,363	\$725,722	\$2,419,074	\$60,477

Fiscal Year	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND 6</i>
2006	\$1,517,411
2007	\$1,636,992
2008	\$1,756,573
2009	\$1,876,154
2010	\$1,995,736

Fiscal Analysis

The bill would implement the LBB Staff Performance Report “Change Policies Governing Return to Work Retiree.” Section 1 of the bill would prohibit a state retiree from receiving longevity pay and Section 2 of the bill would make a state retiree ineligible to receive benefit replacement pay. Section 3 of the bill would reduce the amount of vacation hours a state retiree who returns to work would accrue each month.

The bill would take effect September 1, 2005.

Methodology

The savings achieved by the bill are assumed in Article IX of the current General Appropriations Bill as passed by the House. The bill would discontinue certain entitlements to return-to-work retirees. The savings assumes a growth of 358 per year in state retirees that return to work. The trend is based on the number of return-to-work retirees employed from 1999 to 2003. The increase in the number of return-to-work retirees that occurred in 2004 was not included in the trend. The base amount used to calculate the future population of return-to-work retirees was 3,830; equal to the number employed in May 2004. The savings estimate also assumes that 89 percent of return-to-work retirees are eligible for benefit replacement pay and 66 percent are eligible for longevity pay. The 2006-07 All Funds savings is \$19,117,600; including General Revenue Related savings of \$12,044,088.

Section 3 of the bill has no significant fiscal impact to the state.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System

LBB Staff: JOB, SR, JI, DH