

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 13, 2011

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

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

IN RE: HJR127 by Truitt (Proposing a constitutional amendment prohibiting the use of state funds to pay for the obligations of a local public retirement system.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$105,495.

The resolution proposes a constitutional amendment to prohibit the use of state funds to pay for debts or other obligations of a local public retirement system nor may the Texas Legislature appropriate any money to a retirement system.

The proposed amendment would be submitted to voters at an election to be held November 8, 2011.

The Texas Municipal Retirement System (TMRS) is funded by employee contributions, employer contributions, and investment earnings, and does not receive any appropriated state funds. In addition, as authorized by Section 855.105, Government Code, the TMRS Board of Trustees has the authority to incur indebtedness to pay expenses for the System's operations. However, any bond or note issued by the TMRS must expressly state that the bond or note is not an obligation of the State. Therefore, the State has no current obligation or liability to pay TMRS expenses or indebtedness.

Local Government Impact

The TMRS reported the System is a voluntary retirement system comprised of approximately 842 cities, each of which can choose an array of benefits for its members and annuitants from a number of statutorily authorized options with the authority to control the costs associated with the benefits chosen for their members. To appropriately fund these benefits, each participating municipality is required to pay a contribution rate determined annually by the TMRS actuary and approved by the Board of Trustees which is required to fund all obligations charged against the municipality's account within the municipality's amortization period without resulting in a probable future depletion of that account. Therefore, no fiscal impact to cities is anticipated.

The Texas County and District Retirement System reported there would be no fiscal impact associated with implementing the provisions of the bill.

There would be a fiscal impact to local governments associated with an election; however, those costs would vary by locality and are not anticipated to be significant. Based on costs reported to the Secretary of State (SOS) in 2010 by a sampling of counties, municipalities, and special districts, the average cost incurred by a local governmental entity for an election is \$1.98 per registered voter.

Source Agencies:

LBB Staff: JOB, AG, JB