

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 9, 2017**

**TO:** Honorable Dan Flynn, Chair, House Committee on Pensions

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2218** by Alonzo (Relating to the eligibility for custodial officer service in the Employees Retirement System of Texas of juvenile justice officers employed by the Texas Juvenile Justice Department.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2218, As Introduced: a negative impact of (\$162,800,000) through the biennium ending August 31, 2019.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$79,900,000)
2019	(\$82,900,000)
2020	(\$85,600,000)
2021	(\$88,700,000)
2022	(\$91,700,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b>
2018	(\$79,900,000)
2019	(\$82,900,000)
2020	(\$85,600,000)
2021	(\$88,700,000)
2022	(\$91,700,000)

**Fiscal Analysis**

The bill would amend Government Code to allow the Employees Retirement System (ERS) board of trustees to adopt a definition of custodial officers that would include juvenile justice officers in the Law Enforcement and Custodial Officer Supplemental (LECOS) retirement fund. This would

affect 2,197 positions at the Juvenile Justice Department.

The bill would take effect September 1, 2017.

### **Methodology**

The bill would require additional state contributions to the Employees Retirement System (ERS) and the Law Enforcement and Custodial Officer Supplement (LECOS) Fund in order to account for the additional membership and achieve actuarial soundness. The Juvenile Justice Department indicates that there are 1,543 juvenile correctional officer positions and another 654 positions who receive hazardous duty pay who would be eligible for LECOS membership. When filled, these positions have a total annual salary of \$92 million.

ERS estimates that under provisions of the bill, in fiscal year 2018, state contributions to the LECOS fund would increase by \$3.9 million due to increased membership, and state contributions to the ERS fund would increase by \$2.1 million because LECOS members on average cost more due to earlier retirements. In fiscal year 2022, these amounts would be \$4.5 million and \$2.5 million respectively. The amounts for each year are included in the table above.

In addition to the costs of expanding LECOS membership, the bill would also require that both funds be actuarially sound before members can be added to LECOS. With the additional membership, the actuarially sound contribution (ASC) rate for ERS would be 20.20 percent, 0.03 percent higher than the current ASC, and would require the state contribution to increase by 0.7 percent. The ASC for LECOS would be 2.54 percent (in addition to annual court cost fees of \$19.2 million), which is 0.10 percent higher than the current ASC and would require the state contribution to increase by 1.54 percent. According to ERS, in fiscal year 2018, the cost of increasing state contributions to obtain actuarial soundness would be \$47.6 million for ERS and \$26.3 million for LECOS. The amounts would increase to \$54.6 million for ERS and \$30.1 million for LECOS by fiscal year 2022 and are included in the table above.

Note that the increased state contribution to ERS would exceed the maximum contribution rate of 10 percent according to the Texas Constitution (Article XVI, Sec. 67 (b)(3)). In addition, the figures above do not include the cost of granting a cost of living increase upon achieving actuarial soundness.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 327 Employees Retirement System, 644 Juvenile Justice Department

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