

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 21, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1651 by Cook (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 HB1651, As Introduced : a negative impact of (\$14,642,804) through the biennium ending August 31, 2025.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$13,833,254)
2025	(\$809,550)
2026	(\$809,550)
2027	(\$809,550)
2028	(\$809,550)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Probable Savings/(Cost) from GR Dedicated Accounts 994</i>	<i>Probable Savings/(Cost) from Federal Funds 555</i>
2024	(\$13,833,254)	(\$298,253)	(\$71,013)
2025	(\$809,550)	(\$12,600)	(\$3,000)
2026	(\$809,550)	(\$12,600)	(\$3,000)
2027	(\$809,550)	(\$12,600)	(\$3,000)
2028	(\$809,550)	(\$12,600)	(\$3,000)

Fiscal Analysis

The bill would amend the Government Code to allow the juvenile justice officers employed by the Texas Juvenile Justice Department (TJJJ) to participate in the Law Enforcement and Custodial Officer Supplemental (LECOS) Plan.

TJJJ would be required to certify which employees hold positions as juvenile correctional officers, caseworkers, or other positions whose primary duties include custodial supervision or close contact with youth in the custody of the TJJJ. The change would also allow all prior service credit for these employees to be counted as custodial officer service for determining LECOS retirement eligibility.

Under the provisions of the bill, the expanded participation in LECOS would only occur if the Employees Retirement System (ERS) board of trustees determined that the amortization of the unfunded actuarial liabilities of the ERS Retirement Plan and the LECOS Plan did not exceed 30 years by one or more years, and that adding juvenile justice officers to LECOS would not reduce, or negatively impact, current benefits paid to all members of the ERS or LECOS Plans.

Methodology

The Government Code states that a new monetary benefit may not be established for LECOS unless the fund is actuarially sound. According to ERS, the LECOS fund is not currently actuarially sound, and the bill would prevent the ERS board of trustees from adopting rules to add TJJJ employees to LECOS until the fund is actuarially sound. According to information previously provided by ERS, an appropriation of approximately \$788.8 million would be required in order to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1.

ERS estimates that approximately 600 individuals from TJJJ would be added to LECOS under the provisions of the bill. According to an actuarial review utilizing the February 28, 2023 limited actuarial valuation, the cost of pre-funding the actuarial liabilities for adding these individuals to LECOS is estimated by ERS to be a one-time cost of \$14.2 million in All Funds. ERS estimates there will be an increased annual state contribution to LECOS of approximately \$600,000 per year. According to TJJJ, the increased contribution from the agency for implementing the provisions of the bill is estimated to be \$225,150 in General Revenue in each fiscal year beginning in fiscal year 2025.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JMc, MOc, LCO, JPO, NV, CMA