

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 25, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation and retirement benefits of certain elected state officials.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, As Passed 2nd House : a negative impact of (\$27,536,375) 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	(\$22,845,483)
2025	(\$4,690,892)
2026	(\$5,238,350)
2027	(\$5,322,983)
2028	(\$6,010,105)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>
2024	(\$22,845,483)
2025	(\$4,690,892)
2026	(\$5,238,350)
2027	(\$5,322,983)
2028	(\$6,010,105)

Fiscal Analysis

The bill would amend the Government Code to make the salary of a judge or justice described by the bill with at least 12 years of qualifying service equal to 130 percent of the state base salary for that position. The bill would also make the monthly longevity pay for a judge described by the bill begin after 14 years of service instead of 12 years. The bill would allow qualifying service to include individual or combined contributing service credit from the Judicial Retirement System of Texas Plan One (JRS-1); the Judicial Retirement System of Texas Plan Two (JRS-2); as well as service as a judge of a statutory county court, multicounty statutory county court, or statutory probate court. The bill would also allow contributing service as a district attorney, criminal district attorney, or county attorney to be included as qualifying service contingent on the enactment

of House Bill 3474.

The bill would increase the salary of regional presiding judges by 10.0 percent.

The bill would amend the Government code to change the annuity calculation for members in the elected class so that the annuity would no longer be calculated on the base salary of a district judge as adjusted from time to time and would instead remain static regardless of any increase to the state base salary of a district judge. The bill would also amend the Government Code to make a similar change to the retirement annuities of judges in the JRS-1 (Sec. 834.102) so that their annuities would also remain unchanged going forward.

Methodology

Amounts in the table above reflect costs assuming the enactment of House Bill 3474, Eighty-eighth Legislature, Regular Session, 2023. If House Bill 3474 does not become enacted, costs in the table above would be reduced by \$6,500 each fiscal year in General Revenue in JRS-1 anticipated costs. Costs reflected in the table above include the following:

According to information provided by the Comptroller of Public Accounts (CPA) and the Office of Court Administration (OCA), the estimated cost of the bills provisions total \$4,030,727 in fiscal year 2024, \$4,117,703 in fiscal year 2025, \$4,665,161 in fiscal year 2026, \$4,749,794 in fiscal year 2027, and \$5,436,916 in fiscal year 2028. This analysis includes the estimated impact of the bill's provisions on all affected positions; however, it does not include any increase to retirement annuity disbursements. This analysis also assumes existing FTEs will not incur new costs associated with healthcare benefits provided to new employees.

The OCA and the Comptroller's Judiciary Section do not have data on state judges' prior service as an associate judge or as a district, criminal district, or county attorney. In order to obtain this information, the Comptroller's Judiciary section would need to send inquiry affidavits to each judge to determine their prior years of qualifying service. Accordingly, the cost to the state for the increased qualifying service allowed by the bill for this purpose cannot be determined due to this lack of data; however, the CPA does not anticipate a significant fiscal impact due to this change in qualifying service.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by JRS-2, as well as the unfunded liability of the JRS 2 plan. The JRS-2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1. The increased unfunded liability to the JRS-2 plan resulting from the provisions of the bill would be \$18,241,567 in fiscal year 2024, and the additional contributions needed for the JRS-1 and JRS-2 plans would be \$439,856 in fiscal year 2024 and subsequent years. According to ERS, implementing the provisions of the bill would also result in an annual cost of \$133,333 to the ERS plan for the annuities of district attorneys.

The 10.0 percent increase for regional presiding judges would not have any fiscal impact to the state because these costs are paid by counties.

Local Government Impact

According to information provided by the OCA, increasing the salary of the regional presiding judges by 10.0 percent would result in a fiscal impact to local governments of \$308,000 each year. This amount would vary by region depending on whether the presiding judge would be an active or retired judge.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System, 356 Texas Ethics Commission

LBB Staff: JMc, MW, JPa, SD, KK, JPO