

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

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**May 21, 2023**

**TO:** Honorable Joan Huffman, Chair, Senate Committee on Finance

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB2779** by Leach (relating to the compensation and retirement benefits of certain elected state officials.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2779, Committee Report 2nd House, Substituted : a negative impact of (\$27,523,375) 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	(\$22,838,983)
2025	(\$4,684,392)
2026	(\$5,231,850)
2027	(\$5,316,483)
2028	(\$6,003,605)

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

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>
2024	(\$22,838,983)
2025	(\$4,684,392)
2026	(\$5,231,850)
2027	(\$5,316,483)
2028	(\$6,003,605)

**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 clarify who is ineligible for retirement benefits, including those convicted of certain felonies or persons who have been expelled by the legislature under Section 11, Art III. The bill would also allow the reinstatement of benefits if a felony or expulsion described by this chapter were overturned on appeal.

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 Judicial Retirement System 1 (JRS 1) (Sec. 834.102) so that their annuities would also remain unchanged going forward.

### **Methodology**

According to information provided by the Comptroller of Public Accounts and the Office of Court Administration, 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.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by Judicial Retirement System Plan 2 (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 is \$18.2 million, and the additional contributions needed for the plan are \$433,356 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.

### **Local Government Impact**

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

**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, KK, MW, JPa, JPO