

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 19, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR2 by Bonnen (proposing a constitutional amendment limiting the authority of the legislature to provide cost-of-living adjustments or other benefit enhancements to certain annuitants of the Teacher Retirement System of Texas and providing a one-time transfer of funds to the retirement system to provide a cost-of-living adjustment.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR2, Committee Report 2nd House, Substituted : a negative impact of (\$3,323,204,406) through the biennium ending August 31, 2025.

The bill provides the legal basis for the transfer 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	(\$3,323,204,406)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>
2024	(\$3,323,000,000)	(\$204,406)
2025	\$0	\$0
2026	\$0	\$0
2027	\$0	\$0
2028	\$0	\$0

Fiscal Analysis

This resolution would propose an amendment to add Section 67-a, Article XVI, of the Texas Constitution that would limit the Legislature's ability to provide benefit enhancements to eligible annuitants of the Teacher Retirement System (TRS). The benefit enhancements would be contingent on the retirement system being considered actuarially sound and an appropriation of funds sufficient to ensure the benefit enhancement does not increase the unfunded actuarial liabilities of the retirement system.

Methodology

According to the Pension Review Board, TRS is considered actuarially sound, with an amortization period of 27 years as of August 31, 2023. Government Code, Section 821.006 defines actuarial soundness, for the purposes of making modifications to benefit and contribution levels, as less than 31 years. The benefit enhancement would take place only if the fund is considered actuarially sound.

The approval of the proposed amendment to Section 67-a of Article XVI by voters would result in a revenue loss to General Revenue of \$3.323 billion for the purposes of providing a cost-of-living adjustment of no less than 2.0 percent and no more than 4.0 percent. The resolution is self-enabling and would result in a transfer of funds from the Comptroller of Public Accounts (CPA) to TRS. These funds would be transferred to TRS in the 2024 fiscal year after the amendment takes effect and would not be considered an appropriation of state tax revenues. The transfer would be in addition to any appropriation made in the 2024-25 General Appropriations Act.

The cost to the state for publication of the resolution is \$204,406. The proposed amendment would be submitted to voters at an election to be held November 7, 2023.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System

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