

- SUBJECT:** Funding for the statewide emergency services personnel retirement fund
- COMMITTEE:** Pensions and Investments — committee substitute recommended
- VOTE:** 7 ayes — Eiland, Flynn, McClendon, Griggs, Krusee, Rodriguez, Straus
0 nays
- WITNESSES:** For — J.D. Gardner, Pasadena Fire Dept., Harris County Fire Fighters Assn., Texas Fire Chiefs Assn.; Rex Klesel, Alvin Volunteer Fire Dept.; Eugene Steven Perdue, SFFMA; Allen J. Scopel, Texas Statewide Emergency Service Personnel Pension Fund; David Stacy, Midland Fireman’s Relief and Retirement Fund; Frank Torres, Texas Statewide Emergency Services Retirement Fund; Robert Weiss, Brenham Fire Dept.; Willie Wisko, State Firemen’s and Fire Marshal’s Association;
(Registered, but did not testify: Oscar Choate, Texas Statewide Emergency Services Personnel Retirement Fund; Kyle A. Donaldson, Sonora Volunteer Fire Dept.; Helen L. Johnson, State Firemen’s and Fire Marshals Assoc.; Tim Martin, Texarkana Firemans Relief and Retirement Fund; Barbara Marzean, VFIS of Texas; Kevin Shelton; Kenneth A. Sitzes, Granbury Volunteer Fire Dept.; Roddy Smith, Texarkana Fire Fighters Pension; Buck Stevens, Pearland Volunteer Fire Dept.; Manuel Vargas, McAllen Firemen’s Relief and Retirement Fund)
- Against — Beaman Floyd, Allstate, State Farm, Nationwide, USAA, American Insurance Association; Cyndi Taylor Krier, USAA
- On — Mark R. Fenlaw, Texas Statewide Emergency Services Personnel Retirement Fund; Lisa Ivie Miller, Fire Fighters Pension Commission;
(Registered, but did not testify: Roy Browning, Jr.; Kevin Deiters, Fire Fighter Pension Commission)
- BACKGROUND:** The fire fighters’ pension commissioner administers the Texas statewide emergency services personnel retirement fund, which currently provides retirement, disability, and survivor benefits to members of 176 volunteer firefighter departments and emergency personnel services that have elected to participate. In November 2003, a valuation concluded that the fund is actuarially unsound, with a projected deficit of \$13.4 million.

Under state law, the Legislature must make the fund actuarially sound, but appropriated funds cannot exceed one-third of total annual contributions by participating departments.

DIGEST:

(The author plans to offer a complete floor substitute for CSHB 1655. The following analysis reflects the language in the floor substitute.)

CSHB 1655 would direct \$6.7 million from the property and casualty premium tax on fire insurance and allied lines to the credit of the statewide emergency services personnel retirement fund on or before March 15, 2006. The bill would direct the same amount to the fund on or before March 15, 2007. The provisions of the bill would expire December 31, 2007.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

SUPPORTERS
SAY:

CSHB 1655 would take a portion of the premium tax on fire insurance and allied lines and apply the amount to the credit of the Texas statewide emergency services personnel retirement fund. This would be a one-time appropriation in order to allow the fund to meet future needs of its employees and their beneficiaries. The additional revenue would go a long way toward making the fund actuarially sound.

A pension system, to be actuarially sound, must be able to amortize all its liabilities over 31 years. At the end of fiscal 2004, the fund had a projected deficit of \$13.4 million. CSHB 1655 would use monies from the insurance premium tax to pay the current deficit, fulfilling state law requiring the fund to be actuarially sound.

In many parts of the state, volunteers constitute the only fire or emergency services available. In fact, almost every House district has employees or their survivors eligible for the fund. The state should ensure the sustainability of these essential personnel and departments. Applying part of the premium tax from fire insurance would seem appropriate since it would be used for a pension fund whose members directly affect fire insurance loss costs. Seven other states have assumed this method of financing pension funds. Texas should follow suit to protect its employees who perform critical services and their families.

OPPONENTS
SAY:

Although the work of these departments and personnel are admirable, other opportunities exist for making the fund actuarially sound, including changing eligibility requirements or reducing benefits. The state should weigh this option with other public pension funds more significantly unsound and in need of additional revenue.

NOTES:

The author intends to offer a floor substitute to replace CSHB 1655 entirely. The language of the floor substitute is reflected in the digest of this analysis.

The committee substitute would have directed 30 percent of the amount collected on fire insurance and allied lines in 2006 and 29.1 percent of the amount in 2007 to the credit of the fund, which provisions would have expired December 31, 2008.

On May 10, the Legislative Budget Board issued a revised fiscal note for CSHB 1655. Based on the allocated percentages in the committee substitute, the LBB estimated a total a negative impact to the state of \$76.6 million — \$38.3 million for fiscal 2007 and roughly the same amount in fiscal 2008.