

By: Miller

H.B. No. 410

A BILL TO BE ENTITLED

AN ACT

relating to the operation by the regional education service centers of certain group coverage programs for certain school and educational employees and their dependents.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. OPERATION OF GROUP COVERAGE PROGRAMS

BY REGIONAL EDUCATION SERVICE CENTERS

SECTION 1.01. (a) Subtitle H, Title 8, Insurance Code, is amended to conform to the enactment of Articles 3.50-7, 3.50-8, and 3.50-9, Insurance Code, by Sections 1.01, 1.02, and 1.03, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, by adding Chapters 1579, 1580, and 1581 and amending those chapters to read as follows:

CHAPTER 1579. TEXAS SCHOOL EMPLOYEES GROUP HEALTH COVERAGE

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 1579.001. SHORT TITLE. This chapter may be cited as the Texas School Employees Group Health Coverage Act.

Sec. 1579.002. GENERAL DEFINITIONS. In this chapter:

(1) "Administering firm" means any entity designated by a board of directors to administer any coverages, services, benefits, or requirements under this chapter and the board of directors' rules and policies adopted under this chapter and Chapter 8, Education Code.

(2) "Board of directors" means the board of directors

1 of a regional education service center.

2 (3) "Charter school" means an open-enrollment charter
3 school established under Subchapter D, Chapter 12, Education Code.

4 (4) "Health coverage plan" means any group policy or
5 contract, hospital service agreement, health maintenance
6 organization agreement, preferred provider arrangement, or any
7 similar group arrangement or any combination of those policies,
8 contracts, agreements, or arrangements that provides for, pays for,
9 or reimburses expenses for health care services.

10 (5) "Participating entity" means an entity
11 participating in a group coverage program established under this
12 chapter. The term includes:

13 (A) a school district;

14 (B) another educational district whose employees
15 are members of the Teacher Retirement System of Texas;

16 (C) a regional education service center; and

17 (D) a charter school that meets the requirements
18 of Section 1579.153.

19 (6) "Regional education service center" means a
20 regional education service center established under Chapter 8,
21 Education Code.

22 Sec. 1579.003. DEFINITION OF EMPLOYEE. In this chapter,
23 "employee" means a participating member of the Teacher Retirement
24 System of Texas who is employed by a participating entity and who is
25 not receiving coverage from a program under Chapter 1551, 1575, or
26 1601. The term does not include an individual performing personal
27 services as an independent contractor.

1 Sec. 1579.004. DEFINITION OF DEPENDENT. In this chapter,
2 "dependent" means:

3 (1) a spouse of a full-time employee or part-time
4 employee;

5 (2) an unmarried child of a full-time or part-time
6 employee if the child is younger than 25 years of age, including:

7 (A) an adopted child;

8 (B) a foster child, stepchild, or other child who
9 is in a regular parent-child relationship; and

10 (C) a recognized natural child;

11 (3) a full-time or part-time employee's recognized
12 natural child, adopted child, foster child, stepchild, or other
13 child without regard to the age of the child, if the child is in a
14 regular parent-child relationship, lives with or has the child's
15 care provided by the employee or the surviving spouse on a regular
16 basis, and is mentally retarded or physically incapacitated to an
17 extent that the child is dependent on the employee or surviving
18 spouse for care or support, as determined by the board of directors
19 of the regional education service center within whose boundaries
20 the employee resides; and

21 (4) notwithstanding any other provision of this code,
22 any other dependent of a full-time or part-time employee specified
23 by rules adopted by the board of directors of the regional education
24 service center within whose boundaries the employee resides.

25 [Sections 1579.005-1579.050 reserved for expansion]

26 SUBCHAPTER B. ADMINISTRATION

27 Sec. 1579.051. ADMINISTRATION OF GROUP PROGRAMS. Each

1 board of directors shall implement and administer a group coverage
2 program as described by this chapter for employees and eligible
3 dependants of participating entities located within the boundaries
4 of the regional education service center.

5 Sec. 1579.052. AUTHORITY TO ADOPT RULES; OTHER AUTHORITY.

6 (a) A board of directors may adopt rules relating to the group
7 coverage program as considered necessary by the board of directors.

8 (b) A board of directors may adopt rules to administer its
9 group coverage program, including rules relating to adjudication of
10 claims and expelling participants from the program for cause.

11 (c) A board of directors may contract with an independent
12 and experienced group insurance consultant or actuary for advice
13 and counsel in implementing and administering its group coverage
14 program.

15 (d) A board of directors may enter into contracts with any
16 agency of the state, including the Teacher Retirement System of
17 Texas, the Employees Retirement System of Texas, and the
18 department, for the purpose of assistance in implementing its group
19 coverage program.

20 Sec. 1579.053. PERSONNEL. A board of directors may hire and
21 compensate employees as necessary to implement its group coverage
22 program.

23 Sec. 1579.054. COMPETITIVE BIDDING REQUIREMENTS; RULES. A
24 contract to provide health coverage through a group health coverage
25 program established under this chapter may be awarded only through
26 competitive bidding under rules adopted by the applicable board of
27 directors.

1 Sec. 1579.055. CONTRACT AWARD; CONSIDERATIONS. (a) In
2 awarding a contract to provide group benefits under this chapter, a
3 board of directors is not required to select the lowest bid and may
4 consider also any relevant criteria, including the bidder's:

5 (1) ability to service contracts;

6 (2) past experiences; and

7 (3) financial stability.

8 (b) If a board of directors awards a contract to a bidder
9 whose bid deviates from that advertised, the board shall record the
10 deviation and fully justify the reason for the deviation in the
11 minutes of the next board meeting.

12 [Sections 1579.056-1579.100 reserved for expansion]

13 SUBCHAPTER C. COVERAGES

14 Sec. 1579.101. PLANS OF GROUP COVERAGES. (a) Each board of
15 directors by rule shall establish plans of group coverages for
16 employees participating in its group coverage program and their
17 dependents.

18 (b) The plans must include at least two tiers of group
19 coverage, with coverage at different levels in each tier, ranging
20 from the catastrophic care coverage plan to the primary care
21 coverage plan. Each tier must contain a health coverage plan.

22 (c) A board of directors by rule shall define the
23 requirements of each coverage plan and tier of coverage offered
24 under its group coverage program.

25 (d) Comparable coverage plans of each tier of coverage
26 established must be offered to employees of all participating
27 entities located within the boundaries of the regional education

1 service center.

2 Sec. 1579.102. OPTIONAL COVERAGES. A board of directors
3 may offer optional coverages to employees participating in its
4 group coverage program. The board of directors by rule may define
5 the types of optional coverages offered under this section.

6 Sec. 1579.103. PREEXISTING CONDITION LIMITATION. During
7 the initial period of eligibility, coverage provided under a group
8 coverage program may not be made subject to a preexisting condition
9 limitation.

10 [Sections 1579.104-1579.150 reserved for expansion]

11 SUBCHAPTER D. PARTICIPATING ENTITIES

12 Sec. 1579.151. PARTICIPATION BY SCHOOL DISTRICTS AND
13 CERTAIN OTHER EDUCATIONAL DISTRICTS. (a) Each school district
14 located within the boundaries of a regional education service
15 center and each other educational district that is located within
16 the boundaries of the center and whose employees are members of the
17 Teacher Retirement System of Texas are eligible to participate in
18 the group coverage program established by the board of directors of
19 that center.

20 (b) Each school district and other educational district
21 that elects to participate in the group coverage program shall
22 notify the board of directors of the decision to participate as
23 provided by Section 1579.154.

24 Sec. 1579.152. PARTICIPATION OF CENTER EMPLOYEES. (a) An
25 employee of a regional education service center may elect to
26 participate in the group coverage program established by the board
27 of directors of that center.

1 (b) An employee subject to this section shall apply for
2 participation in the manner provided by rules adopted by the board
3 of directors of that center.

4 Sec. 1579.153. PARTICIPATION BY CHARTER SCHOOLS;
5 ELIGIBILITY. (a) A charter school located within the boundaries of
6 a regional education service center is eligible to participate in
7 the group coverage program established by the board of directors of
8 that center if the school agrees:

9 (1) that all records of the school relating to
10 participation in the group coverage program are open to inspection
11 by the board of directors, the administering firm, the commissioner
12 of education, or a designee of any of those entities; and

13 (2) to have the school's accounts relating to
14 participation in the group coverage program annually audited by a
15 certified public accountant at the school's expense.

16 (b) A charter school that elects to participate in the group
17 coverage program shall notify the board of directors as provided by
18 Section 1579.154.

19 Sec. 1579.154. NOTICE REQUIREMENTS; COMMENCEMENT OF
20 COVERAGE. (a) Each participating entity shall provide the notice
21 of the entity's election to participate in the group coverage
22 program to the applicable board of directors in the manner and
23 within the time prescribed by rule by the board of directors, but
24 not later than August 1 of the year preceding the year in which the
25 entity seeks to participate in the group coverage program.

26 (b) Coverage for a participating entity under the group
27 coverage program begins on:

1 (1) the first day of the academic year commencing
2 after the first anniversary of the date of the notice; or

3 (2) another date prescribed by rule by the applicable
4 board of directors.

5 Sec. 1579.155. WITHDRAWAL FROM PARTICIPATION. A
6 participating entity may elect to withdraw from participation in a
7 group coverage program. A participating entity that elects to
8 withdraw must notify the board of directors of the applicable
9 regional education service center in the manner and within the time
10 prescribed by board of directors rule.

11 [Sections 1579.156-1579.200 reserved for expansion]

12 SUBCHAPTER E. PARTICIPATION BY EMPLOYEE

13 Sec. 1579.201. DEFINITION. In this subchapter, "full-time
14 employee" and "part-time employee" have the meanings assigned by
15 the rules adopted by the board of directors of the regional
16 education service center within whose boundaries the employee
17 resides.

18 Sec. 1579.202. ELIGIBLE EMPLOYEES. (a) Except as provided
19 by Section 1579.204, participation in a group coverage program is
20 limited to employees of participating entities located within the
21 boundaries of the applicable regional education service center who
22 are full-time employees and to part-time employees who are
23 participating members in the Teacher Retirement System of Texas.

24 (b) An employee described by Subsection (a) who applies for
25 coverage during an open enrollment period prescribed by the board
26 of directors is automatically covered by the catastrophic care
27 coverage plan unless the employee:

- 1 (1) specifically waives coverage under this chapter;
- 2 (2) selects a higher tier coverage plan; or
- 3 (3) is expelled from the program.

4 Sec. 1579.203. SELECTION OF COVERAGE. (a) A participating
5 employee may select coverage in any coverage plan offered by the
6 applicable board of directors.

7 (b) The employee is not required to continue participation
8 in the coverage plan initially selected and may select a higher or
9 lower tier coverage plan than the plan initially selected by the
10 employee in the manner provided by board of directors rule.

11 (c) If the combined contributions received from the state
12 and the employing participating entity under Subchapter F exceed
13 the cost of a coverage plan selected by the employee, the employee
14 may use the excess amount of contributions to obtain coverage under
15 a higher tier coverage plan or to pay all or part of the cost of
16 coverage for the employee's dependents.

17 (d) A married couple, both of whom are eligible for coverage
18 under the program, may pool the amount of contributions to which the
19 couple are entitled under the program to obtain coverage for
20 themselves and dependent coverage.

21 Sec. 1579.204. CERTAIN PART-TIME EMPLOYEES. A part-time
22 employee of a participating entity who is not a participating
23 member in the Teacher Retirement System of Texas is eligible to
24 participate in a group coverage program established under this
25 chapter only if the employee pays all of the premiums and other
26 costs associated with the health coverage plan selected by the
27 employee.

1 Sec. 1579.205. PAYMENT BY PARTICIPATING ENTITY.

2 Notwithstanding Section 1579.204, a participating entity may pay
3 any portion of what otherwise would be the employee share of
4 premiums and other costs associated with the coverage selected by
5 the employee.

6 [Sections 1579.206-1579.250 reserved for expansion]

7 SUBCHAPTER F. CONTRIBUTIONS

8 Sec. 1579.251. STATE ASSISTANCE. (a) The state shall
9 assist employees of participating school districts and charter
10 schools in the purchase of group health coverage under this chapter
11 by providing for each covered employee the amount of \$900 each state
12 fiscal year or a greater amount as provided by the General
13 Appropriations Act. The state contribution shall be distributed
14 through the school finance formulas under Chapters 41 and 42,
15 Education Code, and used by school districts and charter schools as
16 provided by Sections 42.2514 and 42.260, Education Code.

17 (b) The state shall assist employees of participating
18 regional education service centers and educational districts
19 described by Section 1579.002(5)(B) in the purchase of group health
20 coverage under this chapter by providing to the employing service
21 center or educational district, for each covered employee, the
22 amount of \$900 each state fiscal year or a greater amount as
23 provided by the General Appropriations Act.

24 Sec. 1579.252. CONTRIBUTION BY PARTICIPATING ENTITIES. A
25 participating entity shall make contributions for the program as
26 provided by Chapter 1581.

27 Sec. 1579.253. CONTRIBUTION BY EMPLOYEE. (a) An employee

1 covered by a group coverage program established under this chapter
2 shall pay that portion of the cost of coverage selected by the
3 employee that exceeds the amount of the state contribution under
4 Section 1579.251 and the participating entity contribution under
5 Section 1579.252.

6 (b) The employee may pay the employee's contribution under
7 this subsection from the amount distributed to the employee under
8 Chapter 1580.

9 (c) Notwithstanding Subsection (a), a participating entity
10 may pay any portion of what otherwise would be the employee share of
11 premiums and other costs associated with the coverage selected by
12 the employee.

13 [Sections 1579.254-1579.300 reserved for expansion]

14 SUBCHAPTER G. GROUP COVERAGE TRUST FUNDS

15 Sec. 1579.301. FUND; ADMINISTRATION. The regional
16 education service center group coverage trust funds are trust funds
17 with the comptroller. The comptroller shall maintain a trust fund
18 under this subchapter for each regional education service center
19 that operates a group coverage program under this chapter.

20 Sec. 1579.302. COMPOSITION OF FUNDS. Each trust fund is
21 composed of:

22 (1) all contributions made to that fund under this
23 chapter from employees, participating entities, and the state;

24 (2) contributions made by employees or participating
25 entities for optional coverages;

26 (3) investment income;

27 (4) any additional amounts appropriated by the

1 legislature for contingency reserves, administrative expenses, or
2 other expenses; and

3 (5) any other money required or authorized to be paid
4 into the fund.

5 Sec. 1579.303. PAYMENTS FROM FUND. A board of directors may
6 use amounts in its fund only to provide group coverages under this
7 chapter and to pay the expenses of administering its group coverage
8 program.

9 Sec. 1579.304. INVESTMENT OF FUND. A board of directors may
10 invest assets of its fund in the manner provided by law for the
11 investments of a political subdivision of this state.

12 CHAPTER 1580. ACTIVE EMPLOYEE HEALTH COVERAGE

13 OR COMPENSATION SUPPLEMENTATION

14 SUBCHAPTER A. GENERAL PROVISIONS

15 Sec. 1580.001. DEFINITIONS. In this chapter:

16 (1) "Cafeteria plan" means a plan as defined and
17 authorized by Section 125, Internal Revenue Code of 1986, and its
18 subsequent amendments.

19 (2) "Employee" means a participating member of the
20 Teacher Retirement System of Texas who:

21 (A) is employed by a school district, other
22 educational district whose employees are members of the Teacher
23 Retirement System of Texas, participating charter school, or
24 regional education service center; and

25 (B) is not a retiree covered under the program
26 established under Chapter 1575.

27 (3) "Participating charter school" means an

1 open-enrollment charter school established under Subchapter D,
2 Chapter 12, Education Code, that participates in the program
3 established under Chapter 1579.

4 (4) "Regional education service center" means a
5 regional education service center established under Chapter 8,
6 Education Code.

7 (5) "Board of trustees" means the Teacher Retirement
8 System of Texas.

9 Sec. 1580.002. AUTHORITY TO ADOPT RULES; OTHER AUTHORITY.

10 (a) The board of trustees may adopt rules to implement this
11 chapter.

12 (b) The board of trustees may enter into interagency
13 contracts with any agency of this state for the purpose of
14 assistance in implementing this chapter.

15 [Sections 1580.003-1580.050 reserved for expansion]

16 SUBCHAPTER B. DISTRIBUTION BY BOARD OF TRUSTEES

17 Sec. 1580.051. DISTRIBUTION BY BOARD OF TRUSTEES. Each
18 year, the board of trustees shall deliver to each school district,
19 including a school district that is ineligible for state aid under
20 Chapter 42, Education Code, each other educational district that is
21 a member of the Teacher Retirement System of Texas, each
22 participating charter school, and each regional education service
23 center state funds in an amount, as determined by the board of
24 trustees, equal to the product of the number of active employees
25 employed by the district, school, or service center multiplied by
26 \$1,000 or a greater amount as provided by the General
27 Appropriations Act for purposes of this chapter.

1 Sec. 1580.052. EQUAL INSTALLMENTS. The board of trustees
2 shall distribute funds under this chapter in equal monthly
3 installments.

4 Sec. 1580.053. FUNDS HELD IN TRUST. All funds received by a
5 school district, other educational district, participating charter
6 school, or regional education service center under this chapter are
7 held in trust for the benefit of the active employees on whose
8 behalf the district, school, or service center received the funds.

9 Sec. 1580.054. RECOVERY OF DISTRIBUTIONS. The board of
10 trustees is entitled to recover from a school district, other
11 educational district, participating charter school, or regional
12 education service center any amount distributed under this chapter
13 to which the district, school, or service center was not entitled.

14 Sec. 1580.055. DETERMINATION OF BOARD OF TRUSTEES FINAL. A
15 determination by the board of trustees under this subchapter is
16 final and may not be appealed.

17 [Sections 1580.056-1580.100 reserved for expansion]

18 SUBCHAPTER C. EMPLOYEE ELECTION

19 Sec. 1580.101. EMPLOYEE COVERED BY CAFETERIA PLAN. (a) If
20 an active employee is covered by a cafeteria plan of a school
21 district, other educational district, participating charter
22 school, or regional education service center, the state
23 contribution under this chapter shall be deposited in the cafeteria
24 plan, and the employee may elect among the options provided by the
25 cafeteria plan.

26 (b) A cafeteria plan receiving state contributions under
27 this chapter may include a medical savings account option and must

1 include, at a minimum, the following options:

2 (1) a health care reimbursement account;

3 (2) a benefit or coverage other than that provided
4 under Chapter 1579, or any employee coverage or dependent coverage
5 available under Chapter 1579 but not otherwise fully funded by the
6 state or the employer contributions, any of which must be a
7 "qualified benefit" under Section 125, Internal Revenue Code of
8 1986, and its subsequent amendments;

9 (3) an option for the employee to receive the state
10 contribution as supplemental compensation; and

11 (4) an option to divide the state contribution among
12 two or more of the other options provided under this subsection.

13 Sec. 1580.102. EMPLOYEE NOT COVERED BY CAFETERIA PLAN. If
14 an active employee is not covered by a cafeteria plan of a school
15 district, other educational district, participating charter
16 school, or regional education service center, the state
17 contribution under this chapter shall be paid to the active
18 employee as supplemental compensation.

19 Sec. 1580.103. SUPPLEMENTAL COMPENSATION. Supplemental
20 compensation under this subchapter must be in addition to the rate
21 of compensation that:

22 (1) the school district, other educational district,
23 participating charter school, or regional education service center
24 paid the employee in the preceding school year; or

25 (2) the district, school, or service center would have
26 paid the employee in the preceding school year if the employee had
27 been employed by the district, school, or service center in the same

1 capacity in the preceding school year.

2 Sec. 1580.104. TIME FOR ELECTION. For each state fiscal
3 year, an election under this subchapter must be made before the
4 later of:

5 (1) August 1 of the preceding state fiscal year; or

6 (2) the 31st day after the date the employee is hired.

7 Sec. 1580.105. WRITTEN EXPLANATION; ELECTION FORM. (a) The
8 board of trustees shall prescribe and distribute to each school
9 district, other educational district, participating charter
10 school, and regional education service center:

11 (1) a model explanation written in English and Spanish
12 of the options active employees may elect under this section and the
13 effect of electing each option; and

14 (2) an election form to be completed by active
15 employees.

16 (b) Each state fiscal year, a school district, other
17 educational district, participating charter school, or regional
18 education service center shall prepare and distribute to each
19 active employee a written explanation in English and Spanish, as
20 appropriate, of the options the employee may elect under this
21 section. The explanation must be based on the model explanation
22 prepared by the board of trustees under Subsection (a) and must
23 reflect all available health coverage options available to the
24 employee. The explanation must be distributed to an employee
25 before the later of:

26 (1) July 1 of the preceding state fiscal year; or

27 (2) the fifth day after the date the employee is hired.

1 (c) The written explanation under Subsection (b) must be
2 accompanied by a copy of the election form prescribed under
3 Subsection (a)(2).

4 Sec. 1580.106. RETURN OF UNENCUMBERED FUNDS. Any
5 unencumbered funds that are returned to the school district from
6 accounts established under Section 1580.101 may be used only to
7 provide employee compensation, benefits, or both.

8 [Sections 1580.107-1580.150 reserved for expansion]

9 SUBCHAPTER D. MEDICAL SAVINGS ACCOUNT

10 Sec. 1580.151. DEFINITION. In this subchapter, "qualified
11 health care expense" means an expense paid by an employee for
12 medical care, as defined by Section 213(d), Internal Revenue Code
13 of 1986, and its subsequent amendments, for the employee or the
14 employee's dependents, as defined by Section 152, Internal Revenue
15 Code of 1986, and its subsequent amendments.

16 Sec. 1580.152. BOARD RULES. The board of trustees, by rule,
17 shall specify the requirements for a medical savings account
18 established under this chapter.

19 Sec. 1580.153. QUALIFICATION OF ACCOUNT. (a) The board of
20 trustees shall request in writing a ruling or opinion from the
21 Internal Revenue Service as to whether the medical savings accounts
22 established under this chapter and the state rules governing those
23 accounts qualify the accounts for appropriate federal tax
24 exemptions.

25 (b) Based on the response of the Internal Revenue Service
26 under Subsection (a), the board of trustees shall:

27 (1) modify the rules, plans, and procedures adopted

1 under this section as necessary to ensure the qualification of
2 those accounts for appropriate federal tax exemptions; and

3 (2) certify the information regarding federal tax
4 qualifications to the comptroller.

5 Sec. 1580.154. EMPLOYEE ELECTION. An employee who elects
6 under Section 1580.101 to have state funds distributed under this
7 chapter placed in a medical savings account may use the money in
8 that account only for a qualified health care expense.

9 CHAPTER 1581. EMPLOYER EXPENDITURES

10 FOR SCHOOL EMPLOYEE HEALTH COVERAGE PLANS

11 SUBCHAPTER A. GENERAL PROVISIONS

12 Sec. 1581.001. DEFINITIONS. In this chapter:

13 (1) "Participating employee" means an employee of a
14 school district, other educational district whose employees are
15 members of the Teacher Retirement System of Texas, participating
16 charter school, or regional education service center who
17 participates in a group health coverage plan provided by or through
18 the district, school, or service center.

19 (2) "Participating charter school" means an
20 open-enrollment charter school established under Subchapter D,
21 Chapter 12, Education Code, that participates in the uniform group
22 coverage program established under Chapter 1579.

23 (3) "Regional education service center" means a
24 regional education service center established under Chapter 8,
25 Education Code.

26 [Sections 1581.002-1581.050 reserved for expansion]

27 SUBCHAPTER B. MAINTENANCE OF EFFORT; MINIMUM EFFORT

1 Sec. 1581.051. MAINTENANCE OF EFFORT FOR 2000-2001 SCHOOL
2 YEAR. (a) Subject to Sections 1581.052 and 1581.053, and except as
3 provided by Section 1581.054, a school district, other educational
4 district whose employees are members of the Teacher Retirement
5 System of Texas, participating charter school, or regional
6 education service center that, for the 2000-2001 school year, paid
7 amounts to share with employees the cost of coverage under a group
8 health coverage plan shall, for each fiscal year, use to provide
9 health coverage an amount for each participating employee at least
10 equal to the amount computed as provided by this section.

11 (b) The school district, other educational district,
12 participating charter school, or regional education service center
13 shall divide the amount that the district, school, or service
14 center paid during the 2000-2001 school year for the prior group
15 health coverage plan by the total number of full-time employees of
16 the district, school, or service center in the 2000-2001 school
17 year and multiply the result by the number of full-time employees of
18 the district, school, or service center in the fiscal year for which
19 the computation is made. If, for the 2000-2001 school year, a
20 school district, other educational district, participating charter
21 school, or regional education service center provided group health
22 coverage to its employees through a self-funded insurance plan, the
23 amount the district, school, or service center paid during that
24 school year for the plan includes only the amount of regular
25 contributions made by the district, school, or service center to
26 the plan.

27 (c) Amounts used as required by this section shall be

1 deposited, as applicable, in a fund described by Section
2 1581.052(b).

3 Sec. 1581.052. REQUIRED MINIMUM EFFORT. (a) A school
4 district, other educational district, participating charter
5 school, or regional education service center shall, for each fiscal
6 year, use to provide health coverage an amount equal to the number
7 of participating employees of the district, school, or service
8 center multiplied by \$1,800.

9 (b) Amounts used as required by this section shall be
10 deposited, as applicable, in:

11 (1) the applicable Texas group coverage trust fund
12 established under Subchapter G, Chapter 1579; or

13 (2) another fund established for the payment of
14 employee health coverage that meets requirements for those funds
15 prescribed by the Texas Education Agency.

16 Sec. 1581.053. USE OF STATE FUNDS. (a) To comply with
17 Section 1581.052, a school district or participating charter school
18 may use state funds received under Chapter 42, Education Code,
19 other than funds that may be used under that chapter only for a
20 specific purpose.

21 (b) Notwithstanding Subsection (a), amounts a district or
22 school is required to use to pay contributions under a group health
23 coverage plan for district or school employees under Section
24 42.2514 or 42.260, Education Code, other than amounts described by
25 Section 42.260(c)(2)(B), are not used in computing whether the
26 district or school complies with Section 1581.052.

27 Sec. 1581.054. EXCESS OF MAINTENANCE OF EFFORT. If the

1 amount a school district, other educational district, or
2 participating charter school is required to use to provide health
3 coverage under Section 1581.051 for a fiscal year exceeds the
4 amount necessary for the district or school to comply with Section
5 1581.052(a) for that year, the district or school may use the excess
6 only to provide employee compensation at a rate greater than the
7 rate of compensation that the district or school paid an employee in
8 the 2000-2001 school year, benefits, or both.

9 [Sections 1581.055-1581.100 reserved for expansion]

10 SUBCHAPTER C. STATE ASSISTANCE FOR MEETING MINIMUM EFFORT

11 Sec. 1581.101. STATE FISCAL YEARS AFTER AUGUST 31, 2001.

12 For any state fiscal year beginning with the fiscal year ending
13 August 31, 2003, except as provided by Section 1581.102, a school
14 district that imposes maintenance and operations taxes at the
15 maximum rate permitted under Section 45.003(d), Education Code, is
16 entitled to state funds in an amount equal to the difference, if
17 any, between:

18 (1) an amount equal to the number of participating
19 employees of the district multiplied by \$1,800; and

20 (2) if the following amount is less than the amount
21 specified by Subdivision (1), the sum of:

22 (A) the amount the district is required to use to
23 provide health coverage under Section 1581.051 for that fiscal
24 year; and

25 (B) the difference, if any, between:

26 (i) the amount determined under Section
27 42.2514(b)(2), Education Code; and

1 (ii) the amount determined under Section
2 42.2514(b)(1), Education Code, if that amount is less than the
3 amount specified by Subparagraph (i).

4 Sec. 1581.1015. CERTAIN FISCAL YEARS. (a) For the state
5 fiscal year beginning September 1, 2003, a school district or
6 participating charter school is entitled to state funds in an
7 amount equal to the difference, if any, between:

8 (1) an amount equal to the number of participating
9 employees of the district or school multiplied by \$1,500; and

10 (2) if the following amount is less than the amount
11 specified by Subdivision (1), the sum of:

12 (A) the amount the district or school is required
13 to use to provide health coverage under Section 1581.051 for that
14 fiscal year; and

15 (B) the difference, if any, between:

16 (i) the amount determined under Section
17 42.2514(b)(2), Education Code; and

18 (ii) the amount determined under Section
19 42.2514(b)(1), Education Code, if that amount is less than the
20 amount specified by Subparagraph (i).

21 (b) For the state fiscal year beginning September 1, 2004, a
22 school district or participating charter school is entitled to
23 state funds in an amount equal to the difference, if any, between:

24 (1) an amount equal to the number of participating
25 employees of the district or school multiplied by \$1,200; and

26 (2) if the following amount is less than the amount
27 specified by Subdivision (1), the sum of:

1 (A) the amount the district or school is required
2 to use to provide health coverage under Section 1581.051 for that
3 fiscal year; and

4 (B) the difference, if any, between:

5 (i) the amount determined under Section
6 42.2514(b)(2), Education Code; and

7 (ii) the amount determined under Section
8 42.2514(b)(1), Education Code, if that amount is less than the
9 amount specified by Subparagraph (i).

10 (c) For the state fiscal year beginning September 1, 2005, a
11 school district or participating charter school is entitled to
12 state funds in an amount equal to the difference, if any, between:

13 (1) an amount equal to the number of participating
14 employees of the district or school multiplied by \$900; and

15 (2) if the following amount is less than the amount
16 specified by Subdivision (1), the sum of:

17 (A) the amount the district or school is required
18 to use to provide health coverage under Section 1581.051 for that
19 fiscal year; and

20 (B) the difference, if any, between:

21 (i) the amount determined under Section
22 42.2514(b)(2), Education Code; and

23 (ii) the amount determined under Section
24 42.2514(b)(1), Education Code, if that amount is less than the
25 amount specified by Subparagraph (i).

26 (d) For the state fiscal year beginning September 1, 2006, a
27 school district or participating charter school is entitled to

1 state funds in an amount equal to the difference, if any, between:

2 (1) an amount equal to the number of participating
3 employees of the district or school multiplied by \$600; and

4 (2) if the following amount is less than the amount
5 specified by Subdivision (1), the sum of:

6 (A) the amount the district or school is required
7 to use to provide health coverage under Section 1581.051 for that
8 fiscal year; and

9 (B) the difference, if any, between:

10 (i) the amount determined under Section
11 42.2514(b)(2), Education Code; and

12 (ii) the amount determined under Section
13 42.2514(b)(1), Education Code, if that amount is less than the
14 amount specified by Subparagraph (i).

15 (e) For the state fiscal year beginning September 1, 2007, a
16 school district or participating charter school is entitled to
17 state funds in an amount equal to the difference, if any, between:

18 (1) an amount equal to the number of participating
19 employees of the district or school multiplied by \$300; and

20 (2) if the following amount is less than the amount
21 specified by Subdivision (1), the sum of:

22 (A) the amount the district or school is required
23 to use to provide health coverage under Section 1581.051 for that
24 fiscal year; and

25 (B) the difference, if any, between:

26 (i) the amount determined under Section
27 42.2514(b)(2), Education Code; and

1 (ii) the amount determined under Section
2 42.2514(b)(1), Education Code, if that amount is less than the
3 amount specified by Subparagraph (i).

4 (f) A school district that receives state funds under
5 Section 1581.101 for a state fiscal year is not entitled to state
6 funds under Subsection (a), (b), (c), (d), or (e).

7 (g) This section expires September 1, 2008.

8 Sec. 1581.102. MAXIMUM AMOUNT OF STATE FUNDS. For any state
9 fiscal year, the amount of state funds a school district receives
10 under Section 1581.101 may not exceed the amount of state funds the
11 district received under this subchapter for the year preceding the
12 year in which the district first receives funds under Section
13 1581.101.

14 Sec. 1581.103. DISTRIBUTION OF FUNDS. (a) The Teacher
15 Retirement System of Texas shall distribute state funds to school
16 districts and participating charter schools under this subchapter
17 in equal monthly installments. State funds received under this
18 subchapter shall be deposited in a fund described by Section
19 1581.052(b).

20 (b) The Texas Education Agency shall provide to the
21 retirement system information necessary for the retirement system
22 to determine a district's or school's eligibility for state funds
23 under this subchapter. The Teacher Retirement System of Texas may
24 enter into interagency contracts with any agency of this state for
25 the purpose of assistance in distributing funds under this chapter.

26 Sec. 1581.104. RECOVERY OF DISTRIBUTIONS. The Teacher
27 Retirement System of Texas is entitled to recover from a school

1 district or participating charter school any amount distributed
2 under this subchapter to which the district or school was not
3 entitled.

4 Sec. 1581.105. DETERMINATION OF TEACHER RETIREMENT SYSTEM
5 OF TEXAS FINAL. A determination by the Teacher Retirement System of
6 Texas under this subchapter is final and may not be appealed.

7 [Sections 1581.106-1581.700 reserved for expansion]

8 SUBCHAPTER O. ADDITIONAL SUPPORT FOR CERTAIN
9 SCHOOL DISTRICTS

10 Sec. 1581.701. APPLICABILITY OF SUBCHAPTER. This
11 subchapter applies only to a school district that:

12 (1) pays taxes under Section 3111(a), Internal Revenue
13 Code of 1986, and its subsequent amendments, for employees covered
14 by the social security retirement program; and

15 (2) covered all employees under that program before
16 January 1, 2001.

17 Sec. 1581.702. ADDITIONAL SUPPORT. The state shall provide
18 additional support for a school district to which this section
19 applies in an amount computed by multiplying the total amount of
20 supplemental compensation received by district employees under
21 Chapter 1580 by 0.062.

22 Sec. 1581.703. AUTHORITY TO ADOPT RULES. The Teacher
23 Retirement System of Texas may adopt rules as necessary to
24 implement this subchapter.

25 Sec. 1581.704. EXPIRATION. This subchapter expires
26 September 1, 2008.

27 (b) Articles 3.50-7, 3.50-8, and 3.50-9, Insurance Code, as

1 added by Sections 1.01, 1.02, and 1.03, Chapter 1187, Acts of the
2 77th Legislature, Regular Session, 2001, are repealed.

3 ARTICLE 2. CONFORMING AMENDMENTS--EDUCATION CODE

4 SECTION 2.01. Section 8.001(c), Education Code, is amended
5 to read as follows:

6 (c) Except as provided by Section 8.0511, the ~~[The]~~
7 commissioner may decide any matter concerning the operation or
8 administration of the regional education service centers,
9 including:

- 10 (1) the number and location of centers;
11 (2) the regional boundaries of centers; and
12 (3) the allocation among centers of state and federal
13 funds administered by the agency.

14 SECTION 2.02. Subchapter B, Chapter 8, Education Code, is
15 amended by adding Section 8.0511 to read as follows:

16 Sec. 8.0511. GROUP HEALTH COVERAGE PROGRAMS. Each regional
17 education service center board of directors shall, through rules
18 adopted by the board of directors, adopt a group coverage program as
19 provided by Chapter 1579, Insurance Code. Rules adopted by a board
20 of directors under this subsection are subject to Chapter 2001,
21 Government Code.

22 SECTION 2.03. Sections 22.004(a), (b), (c), (d), (e), (f),
23 (g), (i), and (j), Education Code, are amended to read as follows:

24 (a) A district may ~~[shall]~~ participate in a ~~[the uniform]~~
25 group coverage program established under Chapter 1579 ~~[Article~~
26 ~~3.50-7]~~, Insurance Code~~[, as provided by Section 5 of that~~
27 ~~article]~~.

1 (b) A district that does not participate in a the program
2 described by Subsection (a) shall make available to its employees
3 group health coverage provided by a risk pool established by one or
4 more school districts under Chapter 172, Local Government Code, or
5 under a policy of insurance or group contract issued by an insurer,
6 a group hospital service corporation [~~company~~] subject to Chapter
7 842 [~~20~~], Insurance Code, or a health maintenance organization
8 subject to Chapter 843, Insurance Code [~~under the Texas Health~~
9 ~~Maintenance Organization Act (Chapter 20A, Vernon's Texas~~
10 ~~Insurance Code)~~]. The coverage must meet the substantive coverage
11 requirements of Article 3.51-6, Insurance Code, and any other law
12 applicable to group health insurance policies or contracts issued
13 in this state. The coverage must include major medical treatment
14 but may exclude experimental procedures. In this subsection,
15 "major medical treatment" means a medical, surgical, or diagnostic
16 procedure for illness or injury. The coverage may include managed
17 care or preventive care and must be comparable to the basic health
18 coverage provided under Chapter 1551, Insurance Code [~~the~~] (Texas
19 Employees [~~Uniform~~] Group [~~Insurance~~] Benefits Act) [~~(Article~~
20 ~~3.50-2, Vernon's Texas Insurance Code)~~]. The board of trustees of
21 the Teacher Retirement System of Texas shall adopt rules to
22 determine whether a school district's group health coverage is
23 comparable to the basic health coverage specified by this
24 subsection. The rules must provide for consideration of the
25 following factors concerning the district's coverage in
26 determining whether the district's coverage is comparable to the
27 basic health coverage specified by this subsection:

1 (1) the deductible amount for service provided inside
2 and outside of the network;

3 (2) the coinsurance percentages for service provided
4 inside and outside of the network;

5 (3) the maximum amount of coinsurance payments a
6 covered person is required to pay;

7 (4) the amount of the copayment for an office visit;

8 (5) the schedule of benefits and the scope of
9 coverage;

10 (6) the lifetime maximum benefit amount; and

11 (7) verification that the coverage is issued by a
12 provider licensed to do business in this state by the Texas
13 Department of Insurance or is provided by a risk pool authorized
14 under Chapter 172, Local Government Code, or that a district is
15 capable of covering the assumed liabilities in the case of coverage
16 provided through district self-insurance.

17 (c) The cost of the coverage provided under a the program
18 described by Subsection (a) shall be paid by the state, the
19 district, and the employees in the manner provided by Chapter 1579
20 ~~[Article 3.50-7]~~, Insurance Code. The cost of coverage provided
21 under a plan adopted under Subsection (b) shall be shared by the
22 employees and the district using the contributions by the state
23 described by Subchapter F, Chapter 1579 ~~[Section 9, Article~~
24 ~~3.50-7]~~, Insurance Code, or by Chapter 1580 ~~[Article 3.50-8]~~,
25 Insurance Code.

26 (d) Each district shall report the district's compliance
27 with this section to the executive director of the Teacher

1 Retirement System of Texas not later than March 1 of each
2 even-numbered year in the manner required by the board of trustees
3 of the Teacher Retirement System of Texas. For a district that does
4 not participate in a a [~~the~~] program described by Subsection (a), the
5 report must be based on the district group health coverage plan in
6 effect during the current plan year and must include:

7 (1) appropriate documentation of:

8 (A) the district's contract for group health
9 coverage with a provider licensed to do business in this state by
10 the Texas Department of Insurance or a risk pool authorized under
11 Chapter 172, Local Government Code; or

12 (B) a resolution of the board of trustees of the
13 district authorizing a self-insurance plan for district employees
14 and of the district's review of district ability to cover the
15 liability assumed;

16 (2) the schedule of benefits;

17 (3) the premium rate sheet, including the amount paid
18 by the district and employee;

19 (4) the number of employees covered by the health
20 coverage plan offered by the district; and

21 (5) any other information considered appropriate by
22 the executive director of the Teacher Retirement System of Texas.

23 (e) Based on the criteria prescribed by Subsection (b), the
24 executive director of the Teacher Retirement System of Texas shall,
25 for each district that does not participate in a a [~~the~~] program
26 described by Subsection (a), certify whether a district's coverage
27 is comparable to the basic health coverage provided under Chapter

1 1551, Insurance Code ~~[the]~~ (Texas Employees ~~[Uniform]~~ Group
2 ~~[Insurance]~~ Benefits Act) ~~[(Article 3.50-2, Vernon's Texas~~
3 ~~Insurance Code)]~~. If the executive director of the Teacher
4 Retirement System of Texas determines that the group health
5 coverage offered by a district is not comparable, the executive
6 director shall report that information to the district and to the
7 Legislative Budget Board. The executive director shall submit a
8 report to the legislature not later than September 1 of each
9 even-numbered year describing the status of each district's group
10 health coverage program based on the information contained in the
11 report required by Subsection (d) and the certification required by
12 this subsection.

13 (f) A school district that does not participate in a ~~[the]~~
14 program described by Subsection (a) may not contract with an
15 insurer, a group hospital service corporation ~~[company]~~ subject to
16 Chapter 842 ~~[20]~~, Insurance Code, or a health maintenance
17 organization subject to Chapter 843, Insurance Code, to issue a
18 policy or contract under this section, or with any person to assist
19 the school district in obtaining or managing the policy or contract
20 unless, before the contract is entered into, the insurer,
21 corporation ~~[company]~~, organization, or person provides the
22 district with an audited financial statement showing the financial
23 condition of the insurer, corporation ~~[company]~~, organization, or
24 person.

25 (g) An insurer, a group hospital service corporation
26 ~~[company]~~ subject to Chapter 842 ~~[20]~~, Insurance Code, or a health
27 maintenance organization subject to Chapter 843, Insurance Code,

1 that issues a policy or contract under this section and any person
2 that assists the school district in obtaining or managing the
3 policy or contract for compensation shall provide an annual audited
4 financial statement to the school district showing the financial
5 condition of the insurer, corporation [~~company~~], organization, or
6 person.

7 (i) Notwithstanding any other provision of this section, a
8 district participating in a a [~~the uniform~~] group coverage program
9 established under Chapter 1579 [~~Article 3.50-7~~], Insurance Code,
10 may not make group health coverage available to its employees under
11 this section after the date on which the district begins
12 participation in that program [~~of coverages provided under Article~~
13 ~~3.50-7, Insurance Code, is implemented~~].

14 (j) This section does not preclude a district that is
15 participating in a a [~~the uniform~~] group coverage program established
16 under Chapter 1579 [~~Article 3.50-7~~], Insurance Code, from entering
17 into contracts to provide optional insurance coverages for the
18 employees of the district.

19 SECTION 2.04. Sections 42.2514(a) and (b), Education Code,
20 are amended to read as follows:

21 (a) In this section, "participating charter school" means
22 an open-enrollment charter school that participates in a a [~~the~~
23 ~~uniform~~] group coverage program established under Chapter 1579
24 [~~Article 3.50-7~~], Insurance Code.

25 (b) For each school year, a school district, including a
26 school district that is otherwise ineligible for state aid under
27 this chapter, or a participating charter school is entitled to

1 state aid in an amount, as determined by the commissioner, equal to
2 the difference, if any, between:

3 (1) the amount determined by multiplying the amount of
4 \$900 or the amount specified in the General Appropriations Act for
5 that year for purposes of the state contribution under Subchapter
6 F, Chapter 1579 [~~Section 9, Article 3.50-7~~], Insurance Code, by the
7 number of district or school employees who participate in a group
8 health coverage plan provided by or through the district or school;
9 and

10 (2) an amount equal to 75 percent of the amount of:

11 (A) additional funds to which the district or
12 school is entitled due to the increase made by Chapter 1187 [~~H.B.~~
13 ~~No. 3343~~], Acts of the 77th Legislature, Regular Session, 2001, to:

14 (i) the equalized wealth level under
15 Section 41.002; and

16 (ii) the guaranteed level of state and
17 local funds per weighted student per cent of tax effort under
18 Section 42.302; or

19 (B) additional state aid to which the district is
20 entitled under Section 42.2513.

21 SECTION 2.05. Section 42.253(e-1), Education Code, is
22 amended to read as follows:

23 (e-1) For the 2003-2004, 2004-2005, 2005-2006, 2006-2007,
24 2007-2008, or 2008-2009 school year, the limit authorized under
25 Subsection (e) is increased by an amount equal to the portion of a
26 school district's maintenance and operations tax for that year
27 necessary for the district, when added to state funds received

1 under this chapter for that portion of the tax, to comply with
2 Section 1581.052 [~~Section 3, Article 3.50-9~~], Insurance Code. For
3 the 2005-2006 and 2007-2008 school years, the limit authorized
4 under Subsection (e) does not include any portion of a school
5 district's maintenance and operations tax rate for which the limit
6 under Subsection (e) applicable to the district was increased under
7 this subsection. The commissioner may adopt rules necessary to
8 administer this subsection. A determination of the commissioner
9 under this subsection is final and may not be appealed. This
10 subsection expires September 1, 2009.

11 SECTION 2.06. Section 42.260(c), Education Code, is amended
12 to read as follows:

13 (c) Notwithstanding any other provision of this code, a
14 school district or participating charter school may use the
15 following amount of funds only to pay contributions under a group
16 health coverage plan for district or school employees:

17 (1) an amount equal to 75 percent of the amount
18 certified for the district or school under Subsection (b); or

19 (2) if the following amount is less than the amount
20 specified by Subdivision (1), the sum of:

21 (A) the amount determined by multiplying the
22 amount of \$900 or the amount specified in the General
23 Appropriations Act for that year for purposes of the state
24 contribution under Subchapter F, Chapter 1579 [~~Section 9, Article~~
25 ~~3.50-7~~], Insurance Code, by the number of district or school
26 employees who participate in a group health coverage plan provided
27 by or through the district or school; and

1 (B) the difference between the amount necessary
2 for the district or school to comply with Section 1581.052 [~~Section~~
3 ~~3, Article 3.50-9~~], Insurance Code, for the school year and the
4 amount the district or school is required to use to provide health
5 coverage under Section 1581.051, Insurance Code, [~~2 of that~~
6 ~~article~~] for that year.

7 ARTICLE 3. CONFORMING AMENDMENTS--GOVERNMENT CODE

8 SECTION 3.01. Section 822.201(c), Government Code, is
9 amended to read as follows:

10 (c) Excluded from salary and wages are:

- 11 (1) expense payments;
- 12 (2) allowances;
- 13 (3) payments for unused vacation or sick leave;
- 14 (4) maintenance or other nonmonetary compensation;
- 15 (5) fringe benefits;
- 16 (6) deferred compensation other than as provided by
17 Subsection (b)(3);
- 18 (7) compensation that is not made pursuant to a valid
19 employment agreement;
- 20 (8) payments received by an employee in a school year
21 that exceed \$5,000 for teaching a driver education and traffic
22 safety course that is conducted outside regular classroom hours;
- 23 (9) the benefit replacement pay a person earns as a
24 result of a payment made under Subchapter B or C, Chapter 661;
- 25 (10) supplemental compensation received by an
26 employee under Chapter 1580 [~~Article 3.50-8~~], Insurance Code; and
27 (11) any compensation not described by [~~in~~] Subsection

1 (b).

2 SECTION 3.02. Subchapter A, Chapter 2001, Government Code,
3 is amended by adding Section 2001.008 to read as follows:

4 Sec. 2001.008. APPLICATION TO REGIONAL EDUCATION SERVICE
5 CENTERS. A regional education service center established under
6 Chapter 8, Education Code, shall be treated as a state agency under
7 this chapter for purposes of rulemaking under Section 8.0511,
8 Education Code, and Chapter 1579, Insurance Code. Subchapter B
9 applies to rules adopted by the board of directors of such a center.

10 ARTICLE 4. CONFORMING AMENDMENTS--INSURANCE CODE

11 SECTION 4.01. Section 3(a), Article 3.51, Insurance Code,
12 is amended to read as follows:

13 (a) Notwithstanding any other provision of this article, a
14 common or independent school district or any other agency or
15 subdivision of the public school system of this state that is
16 participating in a [the uniform] group coverage program established
17 under Chapter 1579 [Article 3.50-7] of this code may not procure
18 contracts under this article for health insurance coverage and may
19 not renew a health insurance contract procured under this article
20 after the date on which that [the] program [of coverages provided
21 under Article 3.50-7 of this code] is implemented.

22 SECTION 4.02. Article 26.036(c), Insurance Code, is amended
23 to read as follows:

24 (c) An independent school district that is participating in
25 a [the uniform] group coverage program established under Chapter
26 1579 [Article 3.50-7] of this code may not participate in the small
27 employer market under this article for health insurance coverage

1 and may not renew a health insurance contract obtained in
2 accordance with this article after the date on which that [~~the~~]
3 program [~~of coverages provided under Article 3.50-7 of this code~~]
4 is implemented. This subsection does not affect a contract for the
5 provision of optional coverages not included in a health benefits
6 plan under this chapter.

7 SECTION 4.03. (a) Section 1575.001, Insurance Code, is
8 amended to conform to Section 3.02, Chapter 1187, Acts of the 77th
9 Legislature, Regular Session, 2001, to read as follows:

10 Sec. 1575.001. SHORT TITLE. This chapter may be cited as the
11 Texas Public School Retired Employees Group Benefits Act.

12 (b) Section 3.02, Chapter 1187, Acts of the 77th
13 Legislature, Regular Session, 2001, is repealed.

14 SECTION 4.04. (a) Section 1575.002(4), Insurance Code, is
15 amended to conform to Section 3.03, Chapter 1187, Acts of the 77th
16 Legislature, Regular Session, 2001, to read as follows:

17 (4) "Fund" means the Texas public school retired
18 employees group insurance fund.

19 (b) Section 1575.003(1), Insurance Code, is amended to
20 conform to Section 3.03, Chapter 1187, Acts of the 77th
21 Legislature, Regular Session, 2001, to read as follows:

22 (1) "Dependent" means:

23 (A) the spouse of a retiree [~~or active employee~~];

24 (B) an unmarried child of a retiree [~~or active~~
25 ~~employee~~] or deceased active employee if the child is younger than
26 25 years of age, including:

27 (i) an adopted child;

1 (ii) a foster child, stepchild, or other
2 child who is in a regular parent-child relationship; or

3 (iii) a recognized natural child;

4 (C) a retiree's [~~or active employee's~~] recognized
5 natural child, adopted child, foster child, stepchild, or other
6 child, without regard to the age of the child, if the child is in a
7 regular parent-child relationship, lives with or has the child's
8 care provided by the retiree[~~, active employee,~~] or surviving
9 spouse on a regular basis, and is mentally retarded or physically
10 incapacitated to an extent that the child is dependent on the
11 retiree[~~, active employee,~~] or surviving spouse for care or
12 support, as determined by the board of trustees; or

13 (D) a deceased active employee's recognized
14 natural child, adopted child, foster child, stepchild, or other
15 child who is in a regular parent-child relationship, without regard
16 to the age of the child, if, while the active employee was alive,
17 the child:

18 (i) lived with or had the child's care
19 provided by the active employee on a regular basis; and

20 (ii) was mentally retarded or physically
21 incapacitated to an extent that the child was dependent on the
22 active employee or surviving spouse for care or support, as
23 determined by the board of trustees.

24 (c) Section 3.03, Chapter 1187, Acts of the 77th
25 Legislature, Regular Session, 2001, is repealed.

26 SECTION 4.05. (a) Section 1575.005, Insurance Code, is
27 amended to conform to Section 3.07, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, to read as follows:

2 Sec. 1575.005. ISSUANCE OF CERTIFICATE OF COVERAGE. At the
3 time and in the circumstances specified by the board of trustees, a
4 carrier shall issue to each retiree, surviving spouse, or surviving
5 dependent child[, ~~or active employee of a participating school~~
6 ~~district~~] covered under this chapter a certificate of coverage
7 that:

8 (1) states the benefits to which the person is
9 entitled;

10 (2) states to whom the benefits are payable;

11 (3) states to whom a claim must be submitted; and

12 (4) summarizes the provisions of the coverage
13 principally affecting the person.

14 (b) Section 3.07, Chapter 1187, Acts of the 77th
15 Legislature, Regular Session, 2001, is repealed.

16 SECTION 4.06. (a) Section 1575.008, Insurance Code, is
17 repealed to conform to the repeal of Section 21, Article 3.50-4,
18 Insurance Code, the source law from which that section was derived,
19 by Section 3.20, Chapter 1187, Acts of the 77th Legislature,
20 Regular Session, 2001.

21 (b) Subchapter R, Chapter 1575, Insurance Code, is repealed
22 to conform to the repeal of Sections 7A and 20, Article 3.50-4,
23 Insurance Code, the source law from which that subchapter was
24 derived, by Section 3.20, Chapter 1187, Acts of the 77th
25 Legislature, Regular Session, 2001.

26 SECTION 4.07. (a) Section 1575.052, Insurance Code, is
27 amended to conform to Section 3.05, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, to read as follows:

2 Sec. 1575.052. AUTHORITY TO ADOPT RULES AND PROCEDURES;
3 OTHER AUTHORITY. (a) The board of trustees may adopt rules, plans,
4 procedures, and orders reasonably necessary to implement this
5 chapter, including:

6 (1) minimum benefit and financing standards for group
7 coverage for retirees, dependents, surviving spouses, and
8 surviving dependent children[~~, and active employees of~~
9 ~~participating school districts~~];

10 (2) basic and optional group coverage for retirees,
11 dependents, surviving spouses, and surviving dependent children[~~,~~
12 ~~and active employees of participating school districts~~];

13 (3) procedures for contributions and deductions;

14 (4) periods for enrollment and selection of optional
15 coverage and procedures for enrolling and exercising options under
16 the group program;

17 (5) procedures for claims administration;

18 (6) procedures to administer the fund; and

19 (7) a timetable for:

20 (A) developing minimum benefit and financial
21 standards for group coverage;

22 (B) establishing group plans; and

23 (C) taking bids and awarding contracts for group
24 plans.

25 (b) The board of trustees may:

26 (1) study the operation of all group coverage provided
27 under this chapter; and

1 (2) contract for advice and counsel in implementing
2 and administering the group program with an independent and
3 experienced group insurance consultant or actuary [~~who does not~~
4 ~~receive a commission from any insurance company~~].

5 (b) Section 3.05, Chapter 1187, Acts of the 77th
6 Legislature, Regular Session, 2001, is repealed.

7 SECTION 4.08. (a) Subchapter B, Chapter 1575, Insurance
8 Code, is amended to conform to Section 3A, Article 3.50-4,
9 Insurance Code, as added by Section 3.01, Chapter 1187, Acts of the
10 77th Legislature, Regular Session, 2001, by adding Section 1575.056
11 to read as follows:

12 Sec. 1575.056. TRANSFER OF RECORDS RELATING TO ACTIVE
13 EMPLOYEES. The board of trustees shall, not later than the 30th day
14 after the date on which a group coverage program established under
15 Chapter 1579 is implemented, transfer from the program any records
16 relating to active employees participating in a uniform group
17 health coverage program under the jurisdiction of the board of
18 trustees.

19 (b) Section 3A, Article 3.50-4, Insurance Code, as added by
20 Section 3.01, Chapter 1187, Acts of the 77th Legislature, Regular
21 Session, 2001, is repealed.

22 SECTION 4.09. (a) Section 1575.106, Insurance Code, is
23 amended to conform to Section 3.06, Chapter 1187, Acts of the 77th
24 Legislature, Regular Session, 2001, to read as follows:

25 Sec. 1575.106. COMPETITIVE BIDDING REQUIREMENTS; RULE. (a)
26 A contract to provide group benefits under this chapter may be
27 awarded only through competitive bidding under rules adopted by the

1 board of trustees.

2 (b) ~~[The rules:~~

3 ~~[(1) must require that a prospective bidder provide,~~
4 ~~for each area consisting of a county and all adjacent counties,~~
5 ~~information on the number and types of qualified providers willing~~
6 ~~to participate in the plan for which the bid is made; and~~

7 ~~[(2) may provide criteria for determining whether a~~
8 ~~provider is qualified.~~

9 ~~[(c) The board of trustees may not require a bidder to~~
10 ~~demonstrate a minimum standard of provider participation.~~

11 ~~[(d)]~~ The board of trustees shall submit for competitive
12 bidding at least every six years each contract under this chapter.

13 (b) Section 1575.107(a), Insurance Code, is amended to
14 conform to Section 3.06, Chapter 1187, Acts of the 77th
15 Legislature, Regular Session, 2001, to read as follows:

16 (a) In awarding a contract to provide group benefits under
17 this chapter, the board of trustees is not required to select the
18 lowest bid and~~+~~

19 ~~[(1) shall consider information obtained under Section~~
20 ~~1575.106; and~~

21 ~~[(2)]~~ may consider any relevant criteria, including
22 the bidder's:

23 (1) ~~[(A)]~~ ability to service contracts;

24 (2) ~~[(B)]~~ past experiences; and

25 (3) ~~[(C)]~~ financial stability.

26 (c) Section 3.06, Chapter 1187, Acts of the 77th
27 Legislature, Regular Session, 2001, is repealed.

1 SECTION 4.10. (a) Section 1575.153, Insurance Code, is
2 amended to conform to Section 3.10, Chapter 1187, Acts of the 77th
3 Legislature, Regular Session, 2001, to read as follows:

4 Sec. 1575.153. AUTOMATIC BASIC COVERAGE. A retiree [~~or~~
5 ~~active employee of a participating school district~~] who applies for
6 coverage during an enrollment period may not be denied coverage in a
7 basic plan provided under this chapter unless the board of trustees
8 finds under Subchapter K that the individual defrauded or attempted
9 to defraud the group program.

10 (b) Section 3.10, Chapter 1187, Acts of the 77th
11 Legislature, Regular Session, 2001, is repealed.

12 SECTION 4.11. (a) Section 1575.160, Insurance Code, is
13 amended to conform to Section 3.09, Chapter 1187, Acts of the 77th
14 Legislature, Regular Session, 2001, to read as follows:

15 Sec. 1575.160. GROUP LIFE OR ACCIDENTAL DEATH AND
16 DISMEMBERMENT INSURANCE: PAYMENT OF CLAIM. The amount of group
17 life insurance or group accidental death and dismemberment
18 insurance covering a retiree, [~~active employee,~~] dependent,
19 surviving spouse, or surviving dependent child on the date of death
20 shall be paid, on the establishment of a valid claim, only to:

21 (1) the beneficiary designated by the person in a
22 signed and witnessed document received before death in the office
23 of the system; or

24 (2) a person in the order prescribed by Section
25 824.103(b), Government Code, if a beneficiary is not properly
26 designated or a beneficiary does not exist.

27 (b) Section 3.09, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, is repealed.

2 SECTION 4.12. (a) Section 1575.207, Insurance Code, is
3 amended to conform to Section 24, Chapter 1229, Acts of the 77th
4 Legislature, Regular Session, 2001, to read as follows:

5 Sec. 1575.207. INTEREST ASSESSED ON LATE PAYMENT OF
6 DEPOSITS BY EMPLOYING SCHOOL DISTRICTS. (a) An employing school
7 district that does not remit to the board of trustees all
8 contributions required by this subchapter before the seventh [~~11th~~]
9 day after the last day of the month shall pay to the fund:

10 (1) the contributions; and

11 (2) interest on the unpaid amounts at the annual rate
12 of six percent compounded monthly.

13 (b) On request, the board of trustees may grant a waiver of
14 the deadline imposed by this section based on an employing school
15 district's financial or technological resources.

16 (b) Section 24, Chapter 1229, Acts of the 77th Legislature,
17 Regular Session, 2001, is repealed.

18 SECTION 4.13. (a) Section 1575.301(a), Insurance Code, is
19 amended to conform to Section 3.11, Chapter 1187, Acts of the 77th
20 Legislature, Regular Session, 2001, to read as follows:

21 (a) The Texas public school retired employees group
22 insurance fund is a trust fund with the comptroller, who is
23 custodian of the fund.

24 (b) The heading to Subchapter G, Chapter 1575, Insurance
25 Code, is amended to conform to Section 3.11, Chapter 1187, Acts of
26 the 77th Legislature, Regular Session, 2001, to read as follows:

27 SUBCHAPTER G. TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES

GROUP INSURANCE FUND

(c) Section 3.11, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, is repealed.

SECTION 4.14. (a) Section 1575.456(a), Insurance Code, is amended to conform to Section 3.13, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, to read as follows:

(a) Section 825.507, Government Code, concerning confidentiality and disclosure of records applies to ~~[information in]~~ records in the custody of the system or in the custody of an administrator, carrier, agent, attorney, consultant, or governmental body acting in cooperation with or on behalf of the system relating to a retiree, active employee, annuitant, or beneficiary under the group program.

(b) Section 3.13, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, is repealed.

SECTION 4.15. (a) Section 1575.501, Insurance Code, is amended to conform to Section 3.12, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, to read as follows:

Sec. 1575.501. EXPULSION FOR FRAUD. After notice and hearing as provided by this subchapter, the board of trustees may expel from participation in the group program a retiree, ~~[active employee]~~ dependent, surviving spouse, or surviving dependent child who:

(1) submits a fraudulent claim or application for coverage under the group program; or

(2) defrauds or attempts to defraud a health benefit plan offered under the group program.

1 (b) Section 3.12, Chapter 1187, Acts of the 77th
2 Legislature, Regular Session, 2001, is repealed.

3 SECTION 4.16. Sections 3.04, 3.08, 3.14, and 3.15, Chapter
4 1187, Acts of the 77th Legislature, Regular Session, 2001, are
5 repealed.

6 ARTICLE 5. CONFORMING AMENDMENTS--HEALTH AND SAFETY CODE

7 SECTION 5.01. Section 62.1015(a), Health and Safety Code,
8 is amended to read as follows:

9 (a) In this section, "charter school," "employee," and
10 "regional education service center" have the meanings assigned by
11 Subchapter A, Chapter 1579 [~~Section 2, Article 3.50-7~~], Insurance
12 Code.

13 ARTICLE 6. CONFORMING AMENDMENTS--TAX CODE

14 SECTION 6.01. Section 26.08(k), Tax Code, is amended to read
15 as follows:

16 (k) For purposes of this section, for the 2003, 2004, 2005,
17 2006, 2007, or 2008 tax year, for a school district that is entitled
18 to state funds under Section 1581.1015 [~~4(a-1), (a-2), (a-3),~~
19 ~~(a-4), (a-5), or (a-6), Article 3.50-9~~], Insurance Code, the
20 rollback tax rate of the district is the sum of:

21 (1) the tax rate that, applied to the current total
22 value for the district, would impose taxes in an amount that, when
23 added to state funds that would be distributed to the district under
24 Chapter 42, Education Code, for the school year beginning in the
25 current tax year using that tax rate, would provide the same amount
26 of state funds distributed under Chapter 42 and maintenance and
27 operations taxes of the district per student in weighted average

1 daily attendance for that school year that would have been
2 available to the district in the preceding year if the funding
3 elements for Chapters 41 and 42, Education Code, for the current
4 year had been in effect for the preceding year;

5 (2) the tax rate that, applied to the current total
6 value for the district, would impose taxes in the amount that, when
7 added to state funds that would be distributed to the district under
8 Chapter 42, Education Code, for the school year beginning in the
9 current tax year using that tax rate, permits the district to comply
10 with Section 1581.052 [~~Section 3, Article 3.50-9~~], Insurance Code;

11 (3) the rate of \$0.06 per \$100 of taxable value; and

12 (4) the district's current debt rate.

13 ARTICLE 7. TRANSITION; EFFECTIVE DATE

14 SECTION 7.01. The board of directors of each regional
15 education service center shall develop the group coverage program
16 to be implemented by that board under Chapter 1579, Insurance Code,
17 as added by this Act, beginning September 1, 2003, and shall develop
18 the requirements for the program during the 2003-2004 school year,
19 with coverage beginning September 1, 2005.

20 SECTION 7.02. The Teacher Retirement System of Texas shall
21 continue to operate the uniform group health coverage program
22 established under Article 3.50-7, Insurance Code, as added by
23 Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001,
24 until September 1, 2005.

25 SECTION 7.03. Not later than July 31, 2004, the Teacher
26 Retirement System of Texas shall provide written information to
27 school districts eligible to participate in a group coverage

1 program under Chapter 1579, Insurance Code, as added by this Act,
2 that provides a general description of the requirements for such a
3 program as adopted under Chapter 1579, Insurance Code, as added by
4 this Act.

5 SECTION 7.04. Notwithstanding Section 1579.154, Insurance
6 Code, as added by this Act, an entity that becomes eligible to
7 participate in a group coverage program established under Chapter
8 1579, Insurance Code, as added by this Act, as provided by
9 Subchapter D of that chapter and that elects to participate in the
10 program beginning September 1, 2005, must notify the board of
11 directors of the applicable regional education service center of
12 the election not later than January 1, 2005.

13 SECTION 7.05. During the initial implementation of Chapter
14 1579, Insurance Code, as added by this Act, and notwithstanding any
15 bidding requirements or other requirements set forth in Article
16 3.50-4, Insurance Code, or Article 3.50-7, Insurance Code, as added
17 by Chapter 1187, Acts of the 77th Legislature, Regular Session,
18 2001, the Teacher Retirement System of Texas may amend any
19 agreement in effect on September 1, 2003, that it has entered into
20 under Article 3.50-4, Insurance Code, or Article 3.50-7, Insurance
21 Code, as added by Chapter 1187, Acts of the 77th Legislature,
22 Regular Session, 2001, as necessary to comply with Chapter 1579,
23 Insurance Code, as added by this Act.

24 SECTION 7.06. To the extent of any conflict, this Act
25 prevails over another Act of the 78th Legislature, Regular Session,
26 2003, relating to nonsubstantive additions and corrections in
27 enacted codes.

1 SECTION 7.07. This Act takes effect September 1, 2003.