

By: Alonzo

H.B. No. 3120

A BILL TO BE ENTITLED

AN ACT

relating to the operation and funding of certain group coverage programs for certain educational employees and their dependents.

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

ARTICLE 1. OPERATION AND FUNDING OF GROUP COVERAGE PROGRAM

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 UNIFORM GROUP HEALTH COVERAGE

SUBCHAPTER A. GENERAL PROVISIONS

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

Sec. 1579.002. GENERAL DEFINITIONS. In this chapter:

(1) "Administering firm" means any entity designated by the board of trustees to administer any coverages, services, benefits, or requirements under this chapter and the trustee's rules adopted under this chapter.

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

(3) "Health coverage plan" means any group policy or contract, hospital service agreement, health maintenance

1 organization agreement, preferred provider arrangement, or any
2 similar group arrangement or any combination of those policies,
3 contracts, agreements, or arrangements that provides for, pays for,
4 or reimburses expenses for health care services.

5 (4) "Participating entity" means an entity
6 participating in the uniform group coverage program established
7 under this chapter. The term includes:

8 (A) a school district;

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

11 (C) a regional education service center; and

12 (D) a charter school that meets the requirements
13 of Section 1579.154.

14 (5) "Program" means the uniform group coverage program
15 established under this chapter.

16 (6) "Regional education service center" means a
17 regional education service center established under Chapter 8,
18 Education Code.

19 (7) "Trustee" means the Teacher Retirement System of
20 Texas.

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

27 Sec. 1579.004. DEFINITION OF DEPENDENT. In this chapter,

1 "dependent" means:

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

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

6 (A) an adopted child;

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

9 (C) a recognized natural child;

10 (3) a full-time or part-time employee's recognized
11 natural child, adopted child, foster child, stepchild, or other
12 child who is in a regular parent-child relationship and who lives
13 with or has his or her care provided by the employee or the
14 surviving spouse on a regular basis, regardless of the child's age,
15 if the child is mentally retarded or physically incapacitated to an
16 extent that the child is dependent on the employee or surviving
17 spouse for care or support, as determined by the trustee; and

18 (4) notwithstanding any other provision of this code,
19 any other dependent of a full-time or part-time employee specified
20 by rules adopted by the trustee.

21 [Sections 1579.005-1579.050 reserved for expansion]

22 SUBCHAPTER B. ADMINISTRATION

23 Sec. 1579.051. ADMINISTRATION OF GROUP PROGRAM. The
24 Teacher Retirement System of Texas, as trustee, shall implement and
25 administer the uniform group coverage program described by this
26 chapter.

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

1 (a) The trustee may adopt rules relating to the program as
2 considered necessary by the trustee.

3 (b) The trustee may adopt rules to administer the program,
4 including rules relating to adjudication of claims and expelling
5 participants from the program for cause.

6 (c) The trustee may contract with an independent and
7 experienced group insurance consultant or actuary for advice and
8 counsel in implementing and administering the program.

9 (d) The trustee may enter into interagency contracts with
10 any agency of the state, including the Employees Retirement System
11 of Texas and the department, for the purpose of assistance in
12 implementing the program.

13 Sec. 1579.053. PERSONNEL. The trustee may hire and
14 compensate employees as necessary to implement the program.

15 Sec. 1579.054. COMPETITIVE BIDDING REQUIREMENTS; RULES. A
16 contract to provide group health coverage under this chapter may be
17 awarded only through competitive bidding under rules adopted by the
18 trustee.

19 Sec. 1579.055. CONTRACT AWARD; CONSIDERATIONS. (a) In
20 awarding a contract to provide group benefits under this chapter,
21 the trustee is not required to select the lowest bid and may
22 consider also any relevant criteria, including the bidder's:

23 (1) ability to service contracts;

24 (2) past experiences; and

25 (3) financial stability.

26 (b) If the trustee awards a contract to a bidder whose bid
27 deviates from that advertised, the trustee shall record the

1 deviation and fully justify the reason for the deviation in the
2 minutes of the next trustee meeting.

3 [Sections 1579.056-1579.100 reserved for expansion]

4 SUBCHAPTER C. COVERAGES

5 Sec. 1579.101. PLANS OF GROUP COVERAGES. (a) The trustee
6 by rule shall establish plans of group coverages for employees
7 participating in the program and their dependents.

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

12 (c) The trustee by rule shall define the requirements of
13 each coverage plan and tier of coverage.

14 (d) Comparable coverage plans of each tier of coverage
15 established must be offered to employees of all participating
16 entities.

17 Sec. 1579.102. CATASTROPHIC CARE COVERAGE PLAN. The
18 coverage provided under the catastrophic care coverage plan shall
19 be prescribed by the trustee by rule and must provide coverage at
20 least as extensive as the coverage provided under the TRS-Care 2
21 plan operated under Chapter 1575.

22 Sec. 1579.103. PRIMARY CARE COVERAGE PLAN. The coverage
23 provided under the primary care coverage plan must be comparable in
24 scope, and in cost to the employee, to the coverage provided under
25 Chapter 1551.

26 Sec. 1579.104. OPTIONAL COVERAGES. The trustee may offer
27 optional coverages to employees participating in the program. The

1 trustee by rule may define the types of optional coverages offered
2 under this section.

3 Sec. 1579.105. PREEXISTING CONDITION LIMITATION. During
4 the initial period of eligibility, coverage provided under the
5 program may not be made subject to a preexisting condition
6 limitation.

7 [Sections 1579.106-1579.150 reserved for expansion]

8 SUBCHAPTER D. PARTICIPATING ENTITIES

9 Sec. 1579.151. REQUIRED PARTICIPATION OF SCHOOL DISTRICTS
10 WITH 500 OR FEWER EMPLOYEES. (a) Each school district with 500 or
11 fewer employees and each regional education service center is
12 required to participate in the program.

13 (b) Notwithstanding Subsection (a), a school district
14 otherwise subject to Subsection (a) that, on January 1, 2001, was
15 individually self-funded for the provision of health coverage to
16 its employees may elect not to participate in the program.

17 (c) An educational district described by Section
18 1579.002(4)(B) that, on January 1, 2001, had 500 or fewer employees
19 may elect not to participate in the program.

20 (d) Notwithstanding Subsection (a), a school district
21 otherwise subject to Subsection (a) that is a party to a contract
22 for the provision of insurance coverage to the employees of the
23 district that is in effect on September 1, 2002, is not required to
24 participate in the program until the expiration of the contract
25 period. A school district subject to this subsection shall notify
26 the trustee in the manner prescribed by the trustee. This
27 subsection expires March 1, 2004.

1 Sec. 1579.152. PARTICIPATION OF OTHER SCHOOL DISTRICTS.

2 Effective September 1, 2003, a school district with more than 500
3 employees may elect to participate in the program. A school
4 district that elects to participate under this section shall apply
5 for participation in the manner prescribed by the trustee by rule.

6 Sec. 1579.153. PARTICIPATION BY CERTAIN RISK POOLS. (a) In

7 determining the number of employees of a school district for
8 purposes of Sections 1579.151 and 1579.152, school districts that,
9 on January 1, 2001, were members of a risk pool established under
10 the authority of Chapter 172, Local Government Code, as provided by
11 Section 22.004, Education Code, may elect to be treated as a single
12 unit.

13 (b) A risk pool in existence on January 1, 2001, that, as of
14 that date, provided group health coverage to 500 or fewer school
15 district employees may elect to participate in the program.

16 (c) For purposes of this section, participation in the
17 program by school districts covered by a risk pool is limited to
18 school districts covered by the risk pool as of January 1, 2001.

19 Sec. 1579.154. PARTICIPATION BY CHARTER SCHOOLS;

20 ELIGIBILITY. (a) A charter school is eligible to participate in
21 the program if the school agrees:

22 (1) that all records of the school relating to
23 participation in the program are open to inspection by the trustee,
24 the administering firm, the commissioner of education, or a
25 designee of any of those entities; and

26 (2) to have the school's accounts relating to
27 participation in the program annually audited by a certified public

1 accountant at the school's expense.

2 (b) A charter school must notify the trustee of the school's
3 intent to participate in the program in the manner and within the
4 time required by trustee rule.

5 [Sections 1579.155-1579.200 reserved for expansion]

6 SUBCHAPTER E. PARTICIPATION BY EMPLOYEE

7 Sec. 1579.201. DEFINITION. In this subchapter, "full-time
8 employee" and "part-time employee" have the meanings assigned by
9 trustee rules.

10 Sec. 1579.202. ELIGIBLE EMPLOYEES. (a) Except as provided
11 by Section 1579.204, participation in the program is limited to
12 employees of participating entities who are full-time employees and
13 to part-time employees who are participating members in the Teacher
14 Retirement System of Texas.

15 (b) An employee described by Subsection (a) who applies for
16 coverage during an open enrollment period prescribed by the trustee
17 is automatically covered by the catastrophic care coverage plan
18 unless the employee:

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

22 Sec. 1579.203. SELECTION OF COVERAGE. (a) A participating
23 employee may select coverage in any coverage plan offered by the
24 trustee.

25 (b) The employee is not required to continue participation
26 in the coverage plan initially selected and may select a higher or
27 lower tier coverage plan than the plan initially selected by the

1 employee in the manner provided by trustee rule.

2 (c) If the combined contributions received from the state
3 and the employing participating entity under Subchapter F exceed
4 the cost of a coverage plan selected by the employee, the employee
5 may use the excess amount of contributions to obtain coverage under
6 a higher tier coverage plan or to pay all or part of the cost of
7 coverage for the employee's dependents.

8 (d) A married couple, both of whom are eligible for coverage
9 under the program, may pool the amount of contributions to which the
10 couple are entitled under the program to obtain coverage for
11 themselves and dependent coverage.

12 Sec. 1579.204. CERTAIN PART-TIME EMPLOYEES. A part-time
13 employee of a participating entity who is not a participating
14 member in the Teacher Retirement System of Texas is eligible to
15 participate in the program only if the employee pays all of the
16 premiums and other costs associated with the health coverage plan
17 selected by the employee.

18 Sec. 1579.205. PAYMENT BY PARTICIPATING ENTITY.
19 Notwithstanding Section 1579.204, a participating entity may pay
20 any portion of what otherwise would be the employee share of
21 premiums and other costs associated with the coverage selected by
22 the employee.

23 [Sections 1579.206-1579.250 reserved for expansion]

24 SUBCHAPTER F. CONTRIBUTIONS

25 Sec. 1579.251. STATE ASSISTANCE. (a) The state shall
26 assist employees of participating school districts and charter
27 schools in the purchase of group health coverage under this chapter

1 by providing for each covered employee an amount equal to an amount
2 sufficient to cover 100 percent of employee-only coverage premiums
3 and 50 percent of dependent coverage premiums, minus the amount of
4 the required contribution made by the participating entity under
5 Chapter 1581. The state contribution shall be distributed through
6 the school finance formulas under Chapters 41 and 42, Education
7 Code, and used by school districts and charter schools as provided
8 by Sections 42.2514 and 42.260, Education Code.

9 (b) The state shall assist employees of participating
10 regional education service centers and educational districts
11 described by Section 1579.002(4)(B) in the purchase of group health
12 coverage under this chapter by providing to the employing service
13 center or educational district, for each covered employee, an
14 amount equal to an amount sufficient to cover 100 percent of
15 employee-only coverage premiums and 50 percent of dependent
16 coverage premiums, minus the amount of the required contribution
17 made by the participating entity under Chapter 1581.

18 Sec. 1579.252. CONTRIBUTION BY PARTICIPATING ENTITIES. A
19 participating entity shall make contributions for the program as
20 provided by Chapter 1581.

21 Sec. 1579.253. CONTRIBUTION BY EMPLOYEE. (a) An employee
22 covered by the program shall pay that portion of the cost of
23 coverage selected by the employee that exceeds the amount of the
24 state contribution under Section 1579.251 and the participating
25 entity contribution under Section 1579.252.

26 (b) The employee may pay the employee's contribution under
27 this subsection from the amount distributed to the employee under

1 Chapter 1580.

2 (c) Notwithstanding Subsection (a), a participating entity
3 may pay 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 1579.254-1579.300 reserved for expansion]

7 SUBCHAPTER G. TEXAS SCHOOL EMPLOYEES

8 UNIFORM GROUP COVERAGE TRUST FUND

9 Sec. 1579.301. FUND; ADMINISTRATION. The Texas school
10 employees uniform group coverage trust fund is a trust fund with the
11 comptroller.

12 Sec. 1579.302. COMPOSITION OF FUND. The fund is composed
13 of:

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

16 (2) contributions made by employees or participating
17 entities for optional coverages;

18 (3) investment income;

19 (4) any additional amounts appropriated by the
20 legislature for contingency reserves, administrative expenses, or
21 other expenses; and

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

24 Sec. 1579.303. PAYMENTS FROM FUND. The trustee may use
25 amounts in the fund only to provide group coverages under this
26 chapter and to pay the expenses of administering the program.

27 Sec. 1579.304. INVESTMENT OF FUND. The trustee may invest

1 assets of the fund in the manner provided by Section 67(a)(3),
2 Article XVI, Texas Constitution.

3 CHAPTER 1580. ACTIVE EMPLOYEE HEALTH COVERAGE

4 OR COMPENSATION SUPPLEMENTATION

5 SUBCHAPTER A. GENERAL PROVISIONS

6 Sec. 1580.001. DEFINITIONS. In this chapter:

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

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

12 (A) is employed by a school district, other
13 educational district whose employees are members of the Teacher
14 Retirement System of Texas, participating charter school, or
15 regional education service center; and

16 (B) is not a retiree covered under the program
17 established under Chapter 1575.

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

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

25 (5) "Trustee" means the Teacher Retirement System of
26 Texas.

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

1 (a) The trustee may adopt rules to implement this chapter.

2 (b) The trustee may enter into interagency contracts with
3 any agency of this state for the purpose of assistance in
4 implementing this chapter.

5 [Sections 1580.003-1580.050 reserved for expansion]

6 SUBCHAPTER B. DISTRIBUTION OF STATE FUNDS BY TRUSTEE

7 Sec. 1580.051. DISTRIBUTION BY TRUSTEE. Each year, the
8 trustee shall deliver to each school district, including a school
9 district that is ineligible for state aid under Chapter 42,
10 Education Code, each other educational district that is a member of
11 the Teacher Retirement System of Texas, each participating charter
12 school, and each regional education service center state funds in
13 an amount, as determined by the trustee, equal to the product of the
14 number of active employees employed by the district, school, or
15 service center multiplied by \$1,000 or a greater amount as provided
16 by the General Appropriations Act for purposes of this chapter.

17 Sec. 1580.052. EQUAL INSTALLMENTS. The trustee shall
18 distribute funds under this chapter in equal monthly installments.

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

24 Sec. 1580.054. RECOVERY OF DISTRIBUTIONS. The trustee is
25 entitled to recover from a school district, other educational
26 district, participating charter school, or regional education
27 service center any amount distributed under this chapter to which

1 the district, school, or service center was not entitled.

2 Sec. 1580.055. DETERMINATION OF TRUSTEE FINAL. A
3 determination by the trustee under this subchapter is final and may
4 not be appealed.

5 [Sections 1580.056-1580.100 reserved for expansion]

6 SUBCHAPTER C. EMPLOYEE ELECTION

7 Sec. 1580.101. EMPLOYEE COVERED BY CAFETERIA PLAN. (a) If
8 an active employee is covered by a cafeteria plan of a school
9 district, other educational district, participating charter
10 school, or regional education service center, the state
11 contribution under this chapter shall be deposited in the cafeteria
12 plan, and the employee may elect among the options provided by the
13 cafeteria plan.

14 (b) A cafeteria plan receiving state contributions under
15 this chapter may include a medical savings account option and must
16 include, at a minimum, the following options:

17 (1) a health care reimbursement account;

18 (2) a benefit or coverage other than that provided
19 under Chapter 1579, or any employee coverage or dependent coverage
20 available under Chapter 1579 but not otherwise fully funded by the
21 state or the employer contributions, any of which must be a
22 "qualified benefit" under Section 125, Internal Revenue Code of
23 1986, and its subsequent amendments;

24 (3) an option for the employee to receive the state
25 contribution as supplemental compensation; or

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

1 Sec. 1580.102. EMPLOYEE NOT COVERED BY CAFETERIA PLAN. If
2 an active employee is not covered by a cafeteria plan of a school
3 district, other educational district, participating charter
4 school, or regional education service center, the state
5 contribution under this chapter shall be paid to the active
6 employee as supplemental compensation.

7 Sec. 1580.103. SUPPLEMENTAL COMPENSATION. Supplemental
8 compensation under this subchapter must be in addition to the rate
9 of compensation that:

10 (1) the school district, other educational district,
11 participating charter school, or regional education service center
12 paid the employee in the preceding school year; or

13 (2) the district, school, or service center would have
14 paid the employee in the preceding school year if the employee had
15 been employed by the district, school, or service center in the same
16 capacity in the preceding school year.

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

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

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

22 Sec. 1580.105. WRITTEN EXPLANATION; ELECTION FORM. (a)
23 The trustee shall prescribe and distribute to each school district,
24 other educational district, participating charter school, and
25 regional education service center:

26 (1) a model explanation written in English and Spanish
27 of the options active employees may elect under this section and the

1 effect of electing each option; and

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

4 (b) Each state fiscal year, a school district, other
5 educational district, participating charter school, or regional
6 education service center shall prepare and distribute to each
7 active employee a written explanation in English and Spanish, as
8 appropriate, of the options the employee may elect under this
9 section. The explanation must be based on the model explanation
10 prepared by the trustee under Subsection (a) and must reflect all
11 available health coverage options available to the employee. The
12 explanation must be distributed to an employee before the later of:

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

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

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

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

22 [Sections 1580.107-1580.150 reserved for expansion]

23 SUBCHAPTER D. MEDICAL SAVINGS ACCOUNT

24 Sec. 1580.151. DEFINITION. In this subchapter, "qualified
25 health care expense" means an expense paid by an employee for
26 medical care, as defined by Section 213(d), Internal Revenue Code
27 of 1986, and its subsequent amendments, for the employee or the

1 employee's dependents, as defined by Section 152, Internal Revenue
2 Code of 1986, and its subsequent amendments.

3 Sec. 1580.152. TRUSTEE RULES. The trustee, by rule, shall
4 specify the requirements for a medical savings account established
5 under this chapter.

6 Sec. 1580.153. QUALIFICATION OF ACCOUNT. (a) The trustee
7 shall request in writing a ruling or opinion from the Internal
8 Revenue Service as to whether the medical savings accounts
9 established under this chapter and the state rules governing those
10 accounts qualify the accounts for appropriate federal tax
11 exemptions.

12 (b) Based on the response of the Internal Revenue Service
13 under Subsection (a), the trustee shall:

14 (1) modify the rules, plans, and procedures adopted
15 under this section as necessary to ensure the qualification of
16 those accounts for appropriate federal tax exemptions; and

17 (2) certify the information regarding federal tax
18 qualifications to the comptroller.

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

23 CHAPTER 1581. EMPLOYER EXPENDITURES

24 FOR SCHOOL EMPLOYEE HEALTH COVERAGE PLANS

25 SUBCHAPTER A. GENERAL PROVISIONS

26 Sec. 1581.001. DEFINITIONS. In this chapter:

27 (1) "Participating employee" means an employee of a

1 school district, other educational district whose employees are
2 members of the Teacher Retirement System of Texas, participating
3 charter school, or regional education service center who
4 participates in a group health coverage plan provided by or through
5 the district, school, or service center.

6 (2) "Participating charter school" means an
7 open-enrollment charter school established under Subchapter D,
8 Chapter 12, Education Code, that participates in the uniform group
9 coverage program established under Chapter 1579.

10 (3) "Regional education service center" means a
11 regional education service center established under Chapter 8,
12 Education Code.

13 [Sections 1581.002-1581.050 reserved for expansion]

14 SUBCHAPTER B. MAINTENANCE OF EFFORT; MINIMUM EFFORT

15 Sec. 1581.051. MAINTENANCE OF EFFORT FOR 2000-2001 SCHOOL
16 YEAR. (a) Subject to Sections 1581.052 and 1581.053, and except as
17 provided by Section 1581.054, a school district, other educational
18 district whose employees are members of the Teacher Retirement
19 System of Texas, participating charter school, or regional
20 education service center that, for the 2000-2001 school year, paid
21 amounts to share with employees the cost of coverage under a group
22 health coverage plan shall, for each fiscal year, use to provide
23 health coverage an amount for each participating employee at least
24 equal to the amount computed as provided by this section.

25 (b) The school district, other educational district,
26 participating charter school, or regional education service center
27 shall divide the amount that the district, school, or service

1 center paid during the 2000-2001 school year for the prior group
2 health coverage plan by the total number of full-time employees of
3 the district, school, or service center in the 2000-2001 school
4 year and multiply the result by the number of full-time employees of
5 the district, school, or service center in the fiscal year for which
6 the computation is made. If, for the 2000-2001 school year, a
7 school district, other educational district, participating charter
8 school, or regional education service center provided group health
9 coverage to its employees through a self-funded insurance plan, the
10 amount the district, school, or service center paid during that
11 school year for the plan includes only the amount of regular
12 contributions made by the district, school, or service center to
13 the plan.

14 (c) Amounts used as required by this section shall be
15 deposited, as applicable, in a fund described by Section
16 1581.052(b).

17 Sec. 1581.052. REQUIRED MINIMUM EFFORT. (a) A school
18 district, other educational district, participating charter
19 school, or regional education service center shall, for each fiscal
20 year, use to provide health coverage an amount equal to the number
21 of participating employees of the district, school, or service
22 center multiplied by \$1,800.

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

25 (1) the Texas school employees uniform group coverage
26 trust fund established under Subchapter G, Chapter 1579; or

27 (2) another fund established for the payment of

1 employee health coverage that meets requirements for those funds
2 prescribed by the Texas Education Agency.

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

8 (b) Notwithstanding Subsection (a), amounts a district or
9 school is required to use to pay contributions under a group health
10 coverage plan for district or school employees under Section
11 42.2514 or 42.260, Education Code, other than amounts described by
12 Section 42.260(c)(2)(B), are not used in computing whether the
13 district or school complies with Section 1581.052.

14 Sec. 1581.054. EXCESS OF MAINTENANCE OF EFFORT. If the
15 amount a school district, other educational district, or
16 participating charter school is required to use to provide health
17 coverage under Section 1581.051 for a fiscal year exceeds the
18 amount necessary for the district or school to comply with Section
19 1581.052(a) for that year, the district or school may use the excess
20 only to provide employee compensation at a rate greater than the
21 rate of compensation that the district or school paid an employee in
22 the 2000-2001 school year, benefits, or both. The excess must be
23 distributed equally to all employees on a per capita basis.

24 [Sections 1581.055-1581.100 reserved for expansion]

25 SUBCHAPTER C. STATE ASSISTANCE FOR MEETING MINIMUM EFFORT

26 Sec. 1581.101. STATE FISCAL YEARS AFTER AUGUST 31, 2001.
27 For any state fiscal year beginning with the fiscal year ending

1 August 31, 2003, except as provided by Section 1581.102, a school
2 district that imposes maintenance and operations taxes at the
3 maximum rate permitted under Section 45.003(d), Education Code, is
4 entitled to state funds in an amount equal to the difference, if
5 any, between:

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

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

10 (A) the amount the district is required to use to
11 provide health coverage under Section 1581.051 for that fiscal
12 year; and

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

14 (i) the amount determined under Section
15 42.2514(b)(2), Education Code; and

16 (ii) the amount determined under Section
17 42.2514(b)(1), Education Code, if that amount is less than the
18 amount specified by Subparagraph (i).

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

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

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

27 (A) the amount the district or school is required

1 to use to provide health coverage under Section 1581.051 for that
2 fiscal year; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (d) For the state fiscal year beginning September 1, 2006, a
15 school district or participating charter school is entitled to
16 state funds in an amount equal to the difference, if any, between:

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

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

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

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

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

27 (ii) the amount determined under Section

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

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

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

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

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

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

14 (i) the amount determined under Section
15 42.2514(b)(2), Education Code; and

16 (ii) the amount determined under Section
17 42.2514(b)(1), Education Code, if that amount is less than the
18 amount specified by Subparagraph (i).

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

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

23 Sec. 1581.102. MAXIMUM AMOUNT OF STATE FUNDS. For any state
24 fiscal year, the amount of state funds a school district receives
25 under Section 1581.101 may not exceed the amount of state funds the
26 district received under this subchapter for the year preceding the
27 year in which the district first receives funds under Section

1 1581.101.

2 Sec. 1581.103. DISTRIBUTION OF FUNDS. (a) The Teacher
3 Retirement System of Texas shall distribute state funds to school
4 districts and participating charter schools under this subchapter
5 in equal monthly installments. State funds received under this
6 subchapter shall be deposited in a fund described by Section
7 1581.052(b).

8 (b) The Texas Education Agency shall provide to the
9 retirement system information necessary for the retirement system
10 to determine a district's or school's eligibility for state funds
11 under this subchapter. The Teacher Retirement System of Texas may
12 enter into interagency contracts with any agency of this state for
13 the purpose of assistance in distributing funds under this chapter.

14 Sec. 1581.104. RECOVERY OF DISTRIBUTIONS. The Teacher
15 Retirement System of Texas is entitled to recover from a school
16 district or participating charter school any amount distributed
17 under this subchapter to which the district or school was not
18 entitled.

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

22 [Sections 1581.106-1581.700 reserved for expansion]

23 SUBCHAPTER O. ADDITIONAL SUPPORT FOR CERTAIN

24 SCHOOL DISTRICTS

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

27 (1) pays taxes under Section 3111(a), Internal Revenue

1 Code of 1986, and its subsequent amendments, for employees covered
2 by the social security retirement program; and

3 (2) covered all employees under that program before
4 January 1, 2001.

5 Sec. 1581.702. ADDITIONAL SUPPORT. The state shall provide
6 additional support for a school district to which this section
7 applies in an amount computed by multiplying the total amount of
8 supplemental compensation received by district employees under
9 Chapter 1580 by 0.062.

10 Sec. 1581.703. AUTHORITY TO ADOPT RULES. The Teachers
11 Retirement System of Texas may adopt rules as necessary to
12 implement this subchapter.

13 Sec. 1581.704. EXPIRATION. This subchapter expires
14 September 1, 2008.

15 (b) Articles 3.50-7, 3.50-8, and 3.50-9, Insurance Code, as
16 added by Sections 1.01, 1.02, and 1.03, Chapter 1187, Acts of the
17 77th Legislature, Regular Session, 2001, are repealed.

18 ARTICLE 2. CONFORMING AMENDMENTS--EDUCATION CODE

19 SECTION 2.01. Section 21.402(a), Education Code, is amended
20 to read as follows:

21 (a) Except as provided by Subsection (d), (e), or (f), a
22 school district must pay each classroom teacher, full-time
23 librarian, full-time counselor certified under Subchapter B, or
24 full-time school nurse not less than the minimum monthly salary,
25 based on the employee's level of experience, determined by the
26 following formula:

27
$$MS = SF \times FS$$

1 where:

2 "MS" is the minimum monthly salary;

3 "SF" is the applicable salary factor specified by Subsection
4 (c); and

5 "FS" is the amount, as determined by the commissioner under
6 Subsection (b), of state and local funds per weighted student
7 available to a district eligible to receive state assistance under
8 Section 42.302 with an enrichment tax rate, as defined by Section
9 42.302, equal to the maximum rate authorized under Section 42.303,
10 except that the amount of state and local funds per weighted student
11 does not include the amount attributable to the increase in the
12 guaranteed level made by:

13 (1) Chapter 1187 [H.B. No. 3343], Acts of the 77th
14 Legislature, Regular Session, 2001; or

15 (2) __.B. No. _____, Acts of the 78th Legislature,
16 Regular Session, 2003.

17 SECTION 2.02. Sections 22.004(a), (b), (c), (e), (f), (g),
18 (i), and (j), Education Code, are amended to read as follows:

19 (a) A district shall participate in the uniform group
20 coverage program established under Chapter 1579 [Article 3.50-7],
21 Insurance Code, as provided by Subchapter D of that chapter
22 [Section 5 of that article].

23 (b) A district that does not participate in the program
24 described by Subsection (a) shall make available to its employees
25 group health coverage provided by a risk pool established by one or
26 more school districts under Chapter 172, Local Government Code, or
27 under a policy of insurance or group contract issued by an insurer,

1 a group hospital service corporation [~~company~~] subject to Chapter
2 842 [~~20~~], Insurance Code, or a health maintenance organization
3 subject to Chapter 843, Insurance Code [~~under the Texas Health~~
4 ~~Maintenance Organization Act (Chapter 20A, Vernon's Texas~~
5 ~~Insurance Code)~~]. The coverage must meet the substantive coverage
6 requirements of Article 3.51-6, Insurance Code, and any other law
7 applicable to group health insurance policies or contracts issued
8 in this state. The coverage must include major medical treatment
9 but may exclude experimental procedures. In this subsection,
10 "major medical treatment" means a medical, surgical, or diagnostic
11 procedure for illness or injury. The coverage may include managed
12 care or preventive care and must be comparable to the basic health
13 coverage provided under Chapter 1551, Insurance Code [~~the~~] (Texas
14 Employees [~~Uniform~~] Group [~~Insurance~~] Benefits Act) [~~(Article~~
15 ~~3.50-2, Vernon's Texas Insurance Code)~~]. The board of trustees of
16 the Teacher Retirement System of Texas shall adopt rules to
17 determine whether a school district's group health coverage is
18 comparable to the basic health coverage specified by this
19 subsection. The rules must provide for consideration of the
20 following factors concerning the district's coverage in
21 determining whether the district's coverage is comparable to the
22 basic health coverage specified by this subsection:

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

25 (2) the coinsurance percentages for service provided
26 inside and outside of the network;

27 (3) the maximum amount of coinsurance payments a

1 covered person is required to pay;

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

3 (5) the schedule of benefits and the scope of
4 coverage;

5 (6) the lifetime maximum benefit amount; and

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

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

21 (e) Based on the criteria prescribed by Subsection (b), the
22 executive director of the Teacher Retirement System of Texas shall,
23 for each district that does not participate in the program
24 described by Subsection (a), certify whether a district's coverage
25 is comparable to the basic health coverage provided under Chapter
26 1551, Insurance Code ~~[the]~~ (Texas Employees ~~[Uniform]~~ Group
27 ~~[Insurance]~~ Benefits Act) ~~[(Article 3.50-2, Vernon's Texas~~

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

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

23 (g) An insurer, a group hospital service corporation
24 [~~company~~] subject to Chapter 842 [~~20~~], Insurance Code, or a health
25 maintenance organization subject to Chapter 843, Insurance Code,
26 that issues a policy or contract under this section and any person
27 that assists the school district in obtaining or managing the

1 policy or contract for compensation shall provide an annual audited
2 financial statement to the school district showing the financial
3 condition of the insurer, corporation [~~company~~], organization, or
4 person.

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

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

17 SECTION 2.03. Section 41.002(a), Education Code, is amended
18 to read as follows:

19 (a) A school district may not have a wealth per student that
20 exceeds \$_____ [~~\$305,000~~].

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

23 (a) In this section, "participating charter school" means
24 an open-enrollment charter school that participates in the uniform
25 group coverage program established under Chapter 1579 [~~Article~~
26 ~~3.50-7~~], Insurance Code.

27 (b) For each school year, a school district, including a

1 school district that is otherwise ineligible for state aid under
2 this chapter, or a participating charter school is entitled to
3 state aid in an amount, as determined by the commissioner, equal to
4 the difference, if any, between:

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

12 (2) an amount equal to 75 percent of the amount of[+
13 [~~(A)~~] additional funds to which the district or
14 school is entitled due to the increase made by Chapter 1187 [~~H.B.~~
15 ~~No. 3343~~], Acts of the 77th Legislature, Regular Session, 2001, to:

16 (A) [~~(i)~~] the equalized wealth level under
17 Section 41.002; and

18 (B) [~~(ii)~~] the guaranteed level of state and
19 local funds per weighted student per cent of tax effort under
20 Section 42.302 [~~, or~~

21 [~~(B) additional state aid to which the district~~
22 ~~is entitled under Section 42.2513~~].

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

25 (e-1) For the 2003-2004, 2004-2005, 2005-2006, 2006-2007,
26 2007-2008, or 2008-2009 school year, the limit authorized under
27 Subsection (e) is increased by an amount equal to the portion of a

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

13 SECTION 2.06. Sections 42.260(b) and (c), Education Code,
14 are amended to read as follows:

15 (b) For each year, the commissioner shall certify to each
16 school district or participating charter school the amount of:

17 (1) additional funds to which the district or school
18 is entitled due to the increase made by Chapter 1187 [~~H.B. No.~~
19 ~~3343~~], Acts of the 77th Legislature, Regular Session, 2001, to:

20 (A) the equalized wealth level under Section
21 41.002; or

22 (B) the guaranteed level of state and local funds
23 per weighted student per cent of tax effort under Section 42.302; or

24 (2) additional funds to which the district or school
25 is entitled due to the increase made by __.B. No. _____, Acts of the
26 78th Legislature, Regular Session, 2003, to:

27 (A) the equalized wealth level under Section

1 41.002; or

2 (B) the guaranteed level of state and local funds
3 per weighted student per cent of tax effort under Section 42.302
4 ~~[additional state aid to which the district or school is entitled~~
5 ~~under Section 42.2513].~~

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

10 (1) the sum of:

11 (A) an amount equal to 75 percent of the amount
12 certified for the district or school under Subsection (b)(1) [~~(b)~~];
13 and

14 (B) the amount certified for the district or
15 school under Subsection (b)(2); or

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

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

25 (B) the difference between the amount necessary
26 for the district or school to comply with Section 1581.052 ~~[Section~~
27 ~~3, Article 3.50-9]~~, Insurance Code, for the school year and the

1 amount the district or school is required to use to provide health
2 coverage under Section 1581.051, Insurance Code, [~~2 of that~~
3 ~~article~~] for that year.

4 SECTION 2.07. Section 42.302(a), Education Code, is amended
5 to read as follows:

6 (a) Each school district is guaranteed a specified amount
7 per weighted student in state and local funds for each cent of tax
8 effort over that required for the district's local fund assignment
9 up to the maximum level specified in this subchapter. The amount of
10 state support, subject only to the maximum amount under Section
11 42.303, is determined by the formula:

$$12 \quad \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

13 where:

14 "GYA" is the guaranteed yield amount of state funds to be
15 allocated to the district;

16 "GL" is the dollar amount guaranteed level of state and local
17 funds per weighted student per cent of tax effort, which is \$
18 [~~\$27.14~~] or a greater amount for any year provided by
19 appropriation;

20 "WADA" is the number of students in weighted average daily
21 attendance, which is calculated by dividing the sum of the school
22 district's allotments under Subchapters B and C, less any allotment
23 to the district for transportation, any allotment under Section
24 42.158, and 50 percent of the adjustment under Section 42.102, by
25 the basic allotment for the applicable year;

26 "DTR" is the district enrichment tax rate of the school
27 district, which is determined by subtracting the amounts specified

1 by Subsection (b) from the total amount of maintenance and
2 operations taxes collected by the school district for the
3 applicable school year and dividing the difference by the quotient
4 of the district's taxable value of property as determined under
5 Subchapter M, Chapter 403, Government Code, or, if applicable,
6 under Section 42.2521, divided by 100; and

7 "LR" is the local revenue, which is determined by multiplying
8 "DTR" by the quotient of the district's taxable value of property as
9 determined under Subchapter M, Chapter 403, Government Code, or, if
10 applicable, under Section 42.2521, divided by 100.

11 ARTICLE 3. CONFORMING AMENDMENT--GOVERNMENT CODE

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

14 (c) Excluded from salary and wages are:

- 15 (1) expense payments;
- 16 (2) allowances;
- 17 (3) payments for unused vacation or sick leave;
- 18 (4) maintenance or other nonmonetary compensation;
- 19 (5) fringe benefits;
- 20 (6) deferred compensation other than as provided by
21 Subsection (b)(3);
- 22 (7) compensation that is not made pursuant to a valid
23 employment agreement;
- 24 (8) payments received by an employee in a school year
25 that exceed \$5,000 for teaching a driver education and traffic
26 safety course that is conducted outside regular classroom hours;
- 27 (9) the benefit replacement pay a person earns as a

1 result of a payment made under Subchapter B or C, Chapter 661;

2 (10) supplemental compensation received by an
3 employee under Chapter 1580 [~~Article 3.50-8~~], Insurance Code; and

4 (11) any compensation not described by [~~in~~] Subsection
5 (b).

6 ARTICLE 4. CONFORMING AMENDMENTS--INSURANCE CODE

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

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

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

20 (c) An independent school district that is participating in
21 the uniform group coverage program established under Chapter 1579
22 [~~Article 3.50-7~~] of this code may not participate in the small
23 employer market under this article for health insurance coverage
24 and may not renew a health insurance contract obtained in
25 accordance with this article after the date on which that [~~the~~]
26 program [~~of coverages provided under Article 3.50-7 of this code~~]
27 is implemented. This subsection does not affect a contract for the

1 provision of optional coverages not included in a health benefits
2 plan under this chapter.

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

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

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

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

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

15 (b) Section 1575.003(1), Insurance Code, is amended to
16 conform to Section 3.03, Chapter 1187, Acts of the 77th
17 Legislature, Regular Session, 2001, and to conform more closely to
18 the source law from which it was derived to read as follows:

19 (1) "Dependent" means:

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

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

24 (i) an adopted child;

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

27 (iii) a recognized natural child;

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

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

16 (i) lived with or had the child's care
17 provided by the active member [~~employee~~] on a regular basis; and

18 (ii) was mentally retarded or physically
19 incapacitated to an extent that the child was dependent on the
20 active member [~~employee~~] or surviving spouse for care or support,
21 as determined by the trustee [~~board of trustees~~].

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

24 SECTION 4.05. (a) Section 1575.005, Insurance Code, is
25 amended to conform to Section 3.07, Chapter 1187, Acts of the 77th
26 Legislature, Regular Session, 2001, and to conform more closely to
27 the source law from which the section was derived to read as

1 follows:

2 Sec. 1575.005. ISSUANCE OF CERTIFICATE OF COVERAGE. At the
3 time and in the circumstances specified by the trustee [~~board of~~
4 ~~trustees~~], a carrier shall issue to each retiree, surviving spouse,
5 or surviving dependent child[~~, or active employee of a~~
6 ~~participating school district~~] covered under this chapter a
7 certificate of coverage 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, and to conform more closely to
2 the source law from which the section was derived to read as
3 follows:

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

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

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

15 (3) procedures for contributions and deductions;

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

19 (5) procedures for claims administration;

20 (6) procedures to administer the fund; and

21 (7) a timetable for:

22 (A) developing minimum benefit and financial
23 standards for group coverage;

24 (B) establishing group plans; and

25 (C) taking bids and awarding contracts for group
26 plans.

27 (b) The trustee [~~board of trustees~~] may:

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

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

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

9 SECTION 4.08. (a) Subchapter B, Chapter 1575, Insurance
10 Code, is amended to conform to Section 3A, Article 3.50-4,
11 Insurance Code, as added by Section 3.01, Chapter 1187, Acts of the
12 77th Legislature, Regular Session, 2001, by adding Section 1575.056
13 to read as follows:

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

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

23 SECTION 4.09. (a) Section 1575.106, Insurance Code, is
24 amended to conform to Section 3.06, Chapter 1187, Acts of the 77th
25 Legislature, Regular Session, 2001, and to conform more closely to
26 the source law from which the section was derived to read as
27 follows:

1 Sec. 1575.106. COMPETITIVE BIDDING REQUIREMENTS; RULE. (a)
2 A contract to provide group benefits under this chapter may be
3 awarded only through competitive bidding under rules adopted by the
4 trustee [~~board of trustees~~].

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

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

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

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

17 (b) Section 1575.107(a), Insurance Code, is amended to
18 conform to Section 3.06, Chapter 1187, Acts of the 77th
19 Legislature, Regular Session, 2001, and to conform more closely to
20 the source law from which the section was derived to read as
21 follows:

22 (a) In awarding a contract to provide group benefits under
23 this chapter, the trustee [~~board of trustees~~] is not required to
24 select the lowest bid and[+]

25 ~~[(1) shall consider information obtained under~~
26 ~~Section 1575.106; and~~

27 ~~[(2)]~~ may consider any relevant criteria, including

1 the bidder's:

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

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

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

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

7 SECTION 4.10. (a) Section 1575.153, Insurance Code, is
8 amended to conform to Section 3.10, Chapter 1187, Acts of the 77th
9 Legislature, Regular Session, 2001, and to conform more closely to
10 the source law from which the section was derived to read as
11 follows:

12 Sec. 1575.153. AUTOMATIC BASIC COVERAGE. A retiree [~~ex~~
13 ~~active employee of a participating school district~~] who applies for
14 coverage during an enrollment period may not be denied coverage in a
15 basic plan provided under this chapter unless the trustee [~~board of~~
16 ~~trustees~~] finds under Subchapter K that the individual defrauded or
17 attempted to defraud the group program.

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

20 SECTION 4.11. (a) Section 1575.160, Insurance Code, is
21 amended to conform to Section 3.09, Chapter 1187, Acts of the 77th
22 Legislature, Regular Session, 2001, and to conform more closely to
23 the source law from which the section was derived to read as
24 follows:

25 Sec. 1575.160. GROUP LIFE OR ACCIDENTAL DEATH AND
26 DISMEMBERMENT INSURANCE: PAYMENT OF CLAIM. The amount of group
27 life insurance or group accidental death and dismemberment

1 insurance covering a retiree, [~~active employee,~~] dependent,
2 surviving spouse, or surviving dependent child on the date of death
3 shall be paid, on the establishment of a valid claim, only to:

4 (1) the beneficiary designated by the person in a
5 signed and witnessed document received before death in the office
6 of the trustee [~~system~~]; or

7 (2) a person in the order prescribed by Section
8 824.103(b), Government Code, if a beneficiary is not properly
9 designated or a beneficiary does not exist.

10 (b) Section 3.09, Chapter 1187, Acts of the 77th
11 Legislature, Regular Session, 2001, is repealed.

12 SECTION 4.12. (a) Section 1575.207, Insurance Code, is
13 amended to conform to Section 24, Chapter 1229, Acts of the 77th
14 Legislature, Regular Session, 2001, and to conform more closely to
15 the source law from which the section was derived to read as
16 follows:

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

22 (1) the contributions; and

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

25 (b) On request, the trustee may grant a waiver of the
26 deadline imposed by this section based on an employing school
27 district's financial or technological resources.

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

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

6 (a) The Texas public school retired employees group
7 insurance fund is a trust fund with the comptroller, who is
8 custodian of the fund.

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

12 SUBCHAPTER G. TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES

13 GROUP INSURANCE FUND

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

16 SECTION 4.14. (a) Section 1575.456(a), Insurance Code, is
17 amended to conform to Section 3.13, Chapter 1187, Acts of the 77th
18 Legislature, Regular Session, 2001, and to conform more closely to
19 the source law from which the section was derived to read as
20 follows:

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

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

3 SECTION 4.15. (a) Section 1575.501, Insurance Code, is
4 amended to conform to Section 3.12, Chapter 1187, Acts of the 77th
5 Legislature, Regular Session, 2001, and to conform more closely to
6 the source law from which the section was derived to read as
7 follows:

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

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

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

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

19 SECTION 4.16. Sections 3.04, 3.08, 3.14, and 3.15, Chapter
20 1187, Acts of the 77th Legislature, Regular Session, 2001, are
21 repealed.

22 ARTICLE 5. CONFORMING AMENDMENT--HEALTH AND SAFETY CODE

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

25 (a) In this section, "charter school," "employee," and
26 "regional education service center" have the meanings assigned by
27 Subchapter A, Chapter 1579 [~~Section 2, Article 3.50-7~~], Insurance

1 Code.

2 ARTICLE 6. CONFORMING AMENDMENTS--TAX CODE

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

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

10 (1) the tax rate that, applied to the current total
11 value for the district, would impose taxes in an amount that, when
12 added to state funds that would be distributed to the district under
13 Chapter 42, Education Code, for the school year beginning in the
14 current tax year using that tax rate, would provide the same amount
15 of state funds distributed under Chapter 42 and maintenance and
16 operations taxes of the district per student in weighted average
17 daily attendance for that school year that would have been
18 available to the district in the preceding year if the funding
19 elements for Chapters 41 and 42, Education Code, for the current
20 year had been in effect for the preceding year;

21 (2) the tax rate that, applied to the current total
22 value for the district, would impose taxes in the 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, permits the district to comply
26 with Section 1581.052 [~~Section 3, Article 3.50-9~~], Insurance Code;

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

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

2 ARTICLE 7. TRANSITION; EFFECTIVE DATE

3 SECTION 7.01. During the initial implementation of Chapter
4 1579, Insurance Code, as added by this Act, and notwithstanding any
5 bidding requirements or other requirements set forth in Article
6 3.50-4, Insurance Code, or Article 3.50-7, Insurance Code, as added
7 by Chapter 1187, Acts of the 77th Legislature, Regular Session,
8 2001, the Teacher Retirement System of Texas may amend any
9 agreement in effect on September 1, 2003, that it has entered into
10 under Article 3.50-4, Insurance Code, or Article 3.50-7, Insurance
11 Code, as added by Chapter 1187, Acts of the 77th Legislature,
12 Regular Session, 2001, as necessary to comply with Chapter 1579,
13 Insurance Code, as added by this Act.

14 SECTION 7.02. To the extent of any conflict, this Act
15 prevails over another Act of the 78th Legislature, Regular Session,
16 2003, relating to nonsubstantive additions and corrections in
17 enacted codes.

18 SECTION 7.03. This Act takes effect September 1, 2003.