

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

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 6, 2003**

**TO:** Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB3120** by Alonzo (Relating to the operation and funding of certain group coverage programs for certain educational employees and their dependents.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3120, As Introduced: a negative impact of (\$3,287,520,592) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	(\$1,437,167,252)
2005	(\$1,850,353,340)
2006	(\$1,905,863,941)
2007	(\$1,963,039,859)
2008	(\$2,021,931,055)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from GENERAL REVENUE FUND 1</b>
2004	(\$1,437,167,252)
2005	(\$1,850,353,340)
2006	(\$1,905,863,941)
2007	(\$1,963,039,859)
2008	(\$2,021,931,055)

**Fiscal Analysis**

The bill would establish financial contribution requirements by the state for the cost of health insurance for all active Teacher Retirement System (TRS) members participating in the TRS group health insurance program. The required state contribution would be equal to 100 percent of the premium cost for employee-only coverage and 50 percent of the premium cost for dependent coverage, reduced by the financial contribution required of school districts, and by the deletion of the requirement to fund \$75 per month through the school finance formula contained in current law.

**Methodology**

It is assumed that school districts accounting for 80 percent of public school employees would participate in the TRS group health insurance program during the first year of implementation (i.e.

fiscal year 2004) and that 100 percent of school districts would participate during the second and subsequent years of implementation. It is also assumed that 5 percent of eligible active school employees would elect to waive coverage under the TRS group health insurance program and the remaining 95 percent would choose the highest insurance coverage available (TRS-ActiveCare 3). This represents an average monthly contribution of \$485 for 460,834 employees in fiscal year 2004, and the same contribution for 593,324 employees in fiscal year 2005. The overall cost based on these assumptions are \$2,681.4 million in fiscal year 2004 and \$3,452.3 million in fiscal year 2005.

In these estimates, the state's cost for employee premium coverage is reduced by the contribution made by local school districts to the cost of health insurance, and by the deletion of the current requirement to fund \$75 per month through the school finance formula. These offsets total about \$1,244.2 million in fiscal year 2004 and \$1,602 million in fiscal year 2005. Subtracting these offsets from the overall cost cited above results in state General Revenue costs of \$1,437.2 in fiscal year 2004 and \$1,850.3 million in fiscal year 2005

### **Local Government Impact**

School districts would realize savings associated with eliminating the requirement that they provide at least \$1,800 per year for group insurance contributions. These savings represent an estimated \$829.5 million in fiscal year 2004 and \$1,068 million in fiscal year 2005.

**Source Agencies:** 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 356 Texas Ethics Commission

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