

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: HB3173 by Pitts (Relating to the group benefits program operated by the Teacher Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3173, As Introduced: a positive impact of \$494,303,000 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$264,802,000
2005	\$229,501,000
2006	\$242,576,000
2007	\$258,101,000
2008	\$274,620,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2004	\$264,802,000
2005	\$229,501,000
2006	\$242,576,000
2007	\$258,101,000
2008	\$274,620,000

Fiscal Analysis

The bill would amend the statute governing the TRS-Care program by increasing the contribution by school employees for the cost of TRS-Care health insurance from 0.25% of salary to 0.75% of salary, and requiring a school district contribution of 0.5% of the salary of all active employees for the cost of retiree insurance. In addition, the bill delays until the first week of the following month the monthly installments paid to school employees for the cost of health insurance. The bill repeals a provision in the Insurance Code that requires a ratio of state to local contributions for TRS Care to be maintained at two to one.

Methodology

The estimate assumes that the additional revenue provided to the TRS-Care retiree insurance fund by

increasing the active member contribution rate and requiring a school district contribution would result in savings to General Revenue because the total amount appropriated to the TRS-Care insurance fund to maintain its solvency could be reduced. Savings associated with increasing the active member contribution rate to 0.75 percent from 0.25 percent are estimated at \$221 million for the 2004-2005 biennium, which is also the savings associated with requiring a 0.50 percent school district contribution.

Savings from the one-month delay of the supplementation payments, estimated at \$52 million for the 2004-2005 biennium, are calculated based on the current statutory amount of \$1,000. If the amount funded is less than \$1,000 then the savings amount will also be less.

Local Government Impact

School districts would be required to contribute approximately \$220 million to the Teacher Retirement System retiree insurance fund in the 2004-2005 biennium.

Source Agencies: 323 Teacher Retirement System, 701 Central Education Agency

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