LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 23, 2003

TO: Honorable Dianne White Delisi, Chair, House Committee on State Health Care Expenditures, Select

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1369** by Duncan (Relating to certain group benefits for retired school employees.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1369, Committee Report 2nd House, Substituted: an impact of $0 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.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Estimated savings should not be compared to agency "building block" funding requests.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *OTHER FUNDS* 997
2004	$259,269,038
2005	$275,862,257
2006	$293,517,441
2007	$312,302,558
2008	$332,289,922

Fiscal Analysis

The bill would amend the statutes governing the Teacher Retirement System's group insurance program for public education retired employees. The provisions in the bill that would have a direct fiscal impact relate to contributions to the retired school district employees' group insurance program.

Methodology

Increasing the active public education employees' contribution to 0.50 percent from 0.25 percent would generate $110.6 million to the Teacher Retirement System (TRS) retiree insurance fund, shown as "Other Funds" above, for the retired public education employees' insurance program over the 2004-2005 biennium. Establishing a school district contribution of 0.46 percent of payroll, the contribution assumed in the Senate version of the proposed General Appropriations Act, would generate approximately $203.4 million to the TRS retiree insurance fund over the 2004-2005 biennium.

Increasing the state's contribution rate to the TRS retiree insurance fund from 0.50 percent to 1.0 percent would cost the General Revenue fund $221.1 million over the 2004-2005 biennium. Under current law, the 0.50 state contibution rate results in a need for a solvency supplement of $1.1 billion. To the extent that the state contribution is increased, the solvency supplement is reduced. Therefore, the result of this bill is that the supplemental appropriation to TRS-Care would be reduced in the General Appropriations Act to show no net cost to the state.

This fiscal note does not reflect the fiscal impact that may result from the TRS trustees establishing a different insurance program for retired public education employees than the one currently in use.

The bill would also transfer $42 million from the TRS insurance fund for active school district employees to the TRS retiree insurance program. Because this would be an inter-fund transfer, it has no fiscal impact to the state.

Local Government Impact

School districts would contribute $203.4 million during the 2004-2005 biennium to the TRS-Care insurance fund.

Source Agencies: 323 Teacher Retirement System

LBB Staff: JK, EB, WP, JO, SD, UP, RN