

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

TO: Honorable Craig Eiland, Chair, House Committee on Pensions & Investments

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB1416 by Martinez (Relating to health insurance benefits provided to certain public school retirees and their dependents.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1416, As Introduced: a negative impact of (\$715,000,000) through the biennium ending August 31, 2007.

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
2006	(\$281,000,000)
2007	(\$434,000,000)
2008	(\$434,000,000)
2009	(\$434,000,000)
2010	(\$434,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2006	(\$281,000,000)
2007	(\$434,000,000)
2008	(\$434,000,000)
2009	(\$434,000,000)
2010	(\$434,000,000)

Fiscal Analysis

The bill would require the state to contribute the same percentage of the cost of coverage for TRS-Care participants as is contributed for state employees' and their dependents' health coverage. The bill would require that coinsurance payments not exceed 10 percent for TRS-Care, the retired employee group health insurance program administered by the Teacher Retirement System (TRS). The bill would require that TRS set at least one 30-day open enrollment period per calendar year for TRS-Care with the first occurring no later than July 1, 2006.

Methodology

For purposes of this estimate, it is assumed that TRS would offer only one health benefit plan to retirees that would meet all the criteria established by the bill. Assuming that TRS members and

school districts continue to contribute to TRS-Care at the same rate as stipulated under current law, the provisions of the bill would cost an estimated \$281 million in fiscal year 2006 and \$434 million in fiscal year 2007 above the statutorily required state funding for TRS-Care under current law. Costs in fiscal years 2008 through 2010 are likely to increase annually; however, inadequate data is available to produce the analysis for those years.

Under current law for the Employee Retirement System, the state pays 100 percent of the cost of coverage for state employees and 50 percent of the cost of coverage for participating dependents of state employees. If the state were to fund TRS-Care at the same proportion and active members and districts no longer contributed, the cost to the state would be considerably higher.

The provisions of the bill do not preclude a deductible, which could reduce the cost to the state.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

LBB Staff: JOB, SR, UP, JSc