

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 16, 2005

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

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

IN RE: HB2747 by McClendon (Relating to the administration of a retirement health care plan for firefighters and police officers in certain municipalities.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would make changes to the statutes governing the city of San Antonio's Fire and Police Retiree Health Plan. The bill would take effect October 1, 2005.

The current statute determines contributions as those agreed to in collective bargaining agreements and determines health benefits in accordance with collective bargaining agreements. The bill would remove the authority of the city to determine plan design, and replace it with a provision that the maximum out of pocket would be \$1,200, and that the health plan board could adjust the plan design. The bill would set member contributions as a monthly dollar amount, while city contributions would be a percentage of pay, ranging from 11.24 percent in plan year 2006 to 21.04 percent in plan year 2020.

Local Government Impact

Currently, the collective bargaining agreement has the city of San Antonio paying two-thirds of the cost of retiree health insurance, with members paying one-third. Removing the authority of the city to make health plan design changes will have a major fiscal impact. Health plan costs have been rising by over 12 percent a year, and plan design changes are one of the few ways to mitigate these costs; with the city paying two-thirds of the cost, plan changes are the only way for them to mitigate increased costs.

The bill would set member contributions as a monthly dollar amount, while city contributions would be a percentage of pay, ranging from 11.24 percent in plan year 2006 to 21.04 percent in plan year 2020. Current city contributions are roughly 9.4 percent for police and 8.7 percent for firefighters. The city has estimated additional annual costs from the bill, compared to the current contribution rates, to vary from \$2.8 million in plan year 2006 to \$10.6 million in 2010, and to \$50.8 million in 2020. Without making fairly significant plan design changes, the city's costs would rise above the current rates, though likely by significantly less than those in the bill. Therefore, the fiscal impact of the bill is estimated to be somewhat lower than the amounts listed above.

Source Agencies: 338 Pension Review Board

LBB Staff: JOB, SR, DLBa, WP, WM