

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 16, 2007

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

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

IN RE: **HB3626** by Lucio III (Relating to the date on which eligibility for benefits begins under certain programs for governmental employees and retirees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3626, As Introduced: a negative impact of (\$51,187,750) through the biennium ending August 31, 2009.

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
2008	(\$25,593,875)
2009	(\$25,593,875)
2010	(\$25,593,875)
2011	(\$25,593,875)
2012	(\$25,593,875)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable (Cost) from GR DEDICATED ACCOUNTS 994	Probable (Cost) from FEDERAL FUNDS 555	Probable (Cost) from OTHER SPECIAL STATE FUNDS 998
2008	(\$25,593,875)	(\$1,334,736)	(\$5,656,961)	(\$134,035)
2009	(\$25,593,875)	(\$1,334,736)	(\$5,656,961)	(\$134,035)
2010	(\$25,593,875)	(\$1,334,736)	(\$5,656,961)	(\$134,035)
2011	(\$25,593,875)	(\$1,334,736)	(\$5,656,961)	(\$134,035)
2012	(\$25,593,875)	(\$1,334,736)	(\$5,656,961)	(\$134,035)

Fiscal Year	Probable (Cost) from STATE HIGHWAY FUND 6
2008	(\$5,948,713)
2009	(\$5,948,713)
2010	(\$5,948,713)
2011	(\$5,948,713)
2012	(\$5,948,713)

Fiscal Analysis

The bill would remove the 90-day waiting period for coverage under the Group Benefits Program and

insurance coverage would begin on the first day an individual is employed.

The bill takes effect September 1, 2007.

Methodology

Based on the analysis by the Employees Retirement System (ERS), the estimated annual cost of removing the 90-day wait is calculated by multiplying new participants times the average 90-day insurance cost. According to ERS, the estimated number of new participants each year is calculated using the average fiscal year 2006 turnover rate, as determined by the State Auditor's Office (15.80 percent), times the number of participants. The estimated annual cost of insurance for 90 days is calculated at 3 times the average monthly contribution ($3 \times \$432.02 = \$1,296$). The estimate for fiscal year 2008 assumes participants remain constant at the fiscal year 2006 levels and the state contribution cost remains at the fiscal year 2007 level.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System, 454 Department of Insurance

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