

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 11, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: HB2083 by Solomons (Relating to determination of state contributions for participation by certain junior college employees in the state employees group benefits program.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2083, As Engrossed: a negative impact of (\$148,387,731) through the biennium ending August 31, 2011.

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
2010	(\$71,754,222)
2011	(\$76,633,509)
2012	(\$89,383,409)
2013	(\$96,087,165)
2014	(\$112,073,667)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$71,754,222)
2011	(\$76,633,509)
2012	(\$89,383,409)
2013	(\$96,087,165)
2014	(\$112,073,667)

Fiscal Analysis

The bill would require a state contribution be made toward the health insurance costs of certain locally employed community college staff. Current law does not require the state to provide contributions toward the health insurance costs of locally employed community college staff.

The bill would amend Section 1551 of the Insurance Code, relating to the determination of state contributions for participation by certain junior college employees in the Group Benefits Program (GBP). The bill would instruct the Employees Retirement System (ERS) Board of Trustees to include public junior college employees when determining the state contribution amount necessary to pay for coverage under the GBP.

The bill would define as eligible those instructional or administrative employees of a public junior college that are otherwise eligible to participate in the GBP and whose salary may be paid from funds appropriated under the General Appropriations Act, regardless of whether the salary is actually paid from appropriated funds.

Thus, if a community college employee works in a position whose function (administration, or instruction) may be legally paid with General Revenue, this bill would allow the district to request state contributions for this employee's health insurance costs, even if this employee's salary is paid with funds other than state General Revenue.

For state agencies and institutions of higher education, the method of financing benefits, such as health insurance, must be the same as the method of financing salaries. This bill would require the state provide health benefits contributions for community college staff even if the salaries are paid with sources other than General Revenue.

While the bill would require a state contribution be made toward the health insurance costs of those community college employees made eligible by this bill, the bill would not require any defined level of contribution.

The Engrossed version of this bill includes a section that would require the number of employees eligible for state health insurance contributions to be adjusted "in proportion to the change in student enrollment at each college during the reporting period." This section would also allow a district reporting a decline in student enrollment to request to maintain the number of eligible employees at the same level as the prior reporting period.

House Committee Substitute for Senate Bill 1 includes \$55 million in each fiscal year of the 2010-11 biennium for paying the health insurance premium costs for those community college staff defined as being eligible by the bill's provisions.

The bill would take effect September 1, 2009, or immediately with two-thirds vote of all members.

Methodology

The bill cites Insurance Code Section 1551.311, relating to the amount of state contribution for the GBP. This section states that not later than November 1 preceding each regular session of the Legislature, the Employees Retirement System Board of Trustees shall certify to the Legislative Budget Board and the Governor the amount necessary to pay the state contributions for coverages provided by the GBP during the following biennium. The bill would add eligible public junior college employees to this amount.

It is estimated that the provisions of the bill would cost approximately \$148.4 million in General Revenue Funds for the 2010-11 biennium.

The following assumptions are used:

- 1) **Base Premium Rates:** The fiscal year 2010 premium contribution level is assumed to be 90.0 percent of ERS premium rates, which were the premium contribution rates used to fund group health insurance contributions for community colleges in the 2008-09 biennium;
- 2) **Enrollment/Headcount Growth:** Biennial growth of 8.5 percent in the number of eligible enrollees, based on the average biennial increase in student enrollment over the previous eight years (applies to fiscal years 2010, 2012 and 2014);
- 3) **Out-Year Rate Increases:** A 6.5 percent premium rate increase in fiscal year 2010, a 6.8 percent premium rate increase in fiscal year 2011, and 7.5 percent rate increases for fiscal years 2012 - 2014.

Local Government Impact

Community college districts presumably would be able to spare locally raised funds (from tax and tuition sources) to the degree the state assumes the cost for paying health benefits for employees who are not paid with state funds.

Source Agencies: 327 Employees Retirement System, 781 Higher Education Coordinating Board

LBB Staff: JOB, MN, RT, JAW, MS, DEH