

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 5, 2009

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2083, As Introduced: a negative impact of (\$121,564,729) 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	(\$58,783,718)
2011	(\$62,781,011)
2012	(\$68,501,930)
2013	(\$73,639,575)
2014	(\$80,349,981)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$58,783,718)
2011	(\$62,781,011)
2012	(\$68,501,930)
2013	(\$73,639,575)
2014	(\$80,349,981)

Fiscal Analysis

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 defines 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.

Current law does not require the state to provide contributions toward the health insurance costs of

locally employed community college staff. The bill would require a state contribution be made toward the health insurance costs of certain locally employed community college staff.

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 ERS 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 \$121.6 million in General Revenue Funds for the 2010-11 biennium.

The methodology first estimates the dollar difference between the originally appropriated FY 2009 group insurance contribution for community colleges and the proportional amount for community colleges as determined through the process used to restore the amounts for HEGI in the supplemental appropriation currently being considered (approximately \$54.4 million).

The FY 2010 estimate increases the previous year's amount by 1.5 percent for enrollment growth and another 6.5 percent to fund rate increases. The FY 2011 estimate applies a 6.8 percent rate increase to the previous year's amount.

The FY 2012 estimate increases the previous year's amount by 1.5 percent for enrollment growth and another 7.5 percent to fund rate increases. The FY 2013 estimate applies a 7.5 percent rate increase to the previous year's amount.

The FY 2014 estimate increases the previous year's amount by 1.5 percent for enrollment growth and another 7.5 percent to fund rate increases.

Local Government Impact

Community college districts, being local entities, 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 local employees who are not paid with state funds.

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

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