

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 13, 2009

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

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

IN RE: HB3074 by Deshotel (Relating to availability of health coverage for certain employees of institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3074, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.
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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	(\$3,102,016)
2013	(\$3,334,667)
2014	(\$3,638,538)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Local/Not Appropriated Funds 8888
2010	\$0	(\$23,513,425)
2011	\$0	(\$25,111,707)
2012	(\$3,102,016)	(\$24,297,995)
2013	(\$3,334,667)	(\$26,120,345)
2014	(\$3,638,538)	(\$28,500,561)

Fiscal Analysis

The bill would make part-time instructional staff at Employees Retirement System (ERS)-insured institutions of higher education working less than 40 hours per week (but over 20 hours per week) eligible to receive the group health insurance benefits of full-time employees participating in ERS' Group Benefits Program.

Currently, staff working less than 40 hours per week are funded as part-time employees for purposes of group health benefits. The bill would not immediately require additional state contributions for these employees, but could increase the cost to the state when institutions next report their headcount participation for health benefits contributions for the biennium starting in fiscal year 2012.

The bill would also provide the University of Texas and Texas A&M University systems with the option of offering full-time health insurance benefits to instructional employees working under 40 hours (but over 20 hours) per week. The bill would not require an additional state contribution for these employees. For these two systems, any additional premium costs associated with the bill presumably would be paid out of institutional funds.

Methodology

It is difficult to provide an accurate estimate of the cost of the bill because it is unknown what portion of all higher education part-time enrollees would qualify for the full-time benefits that would be provided by the bill.

It is assumed that thirty percent of state higher education institution part-time staff currently eligible to receive benefits would be eligible for full-time benefits by this bill, and two-thirds of community college part-time staff.

The General Revenue cost shown for ERS-insured institutions starts in fiscal year 2012 because any new enrollment changes associated with the bill would be captured by the next "snapshot," or census headcount, which is used for the first year of the 2012-13 biennium.

The methodology used takes the estimated total dollar value of current premium cost at current contribution levels for all methods of finance for fiscal year 2010, and prorates these amounts by thirty percent for state institutions and two-thirds for community colleges to estimate the portion of part-time staff constituting instructional faculty. These adjusted fiscal year 2010 amounts are then doubled to reflect the difference in cost between part-time and full-time premiums.

The fiscal year 2010 amount generated by the above assumptions for all methods of finance for all part-time staff is \$23.5 million. This amount is increased by 6.8 percent in fiscal year 2011 to reflect rate increases.

Since the census used to generate the state contribution for health benefits for 2010-11 has been taken, all the additional cost associated with the bill is in institutional funds.

The next census would reflect the eligibility changes of the bill and would thus affect the General Revenue cost for ERS-insured institutions. As such, starting in 2012 the General Revenue portion of the total cost would be separated from the total cost.

An enrollment headcount increase of 1.5 percent is assumed for fiscal year 2012, as well as 7.5 percent rate increases in each following fiscal year. The 2014 amount also includes another 1.5 percent enrollment headcount increase.

All costs associated with the bill for fiscal years 2010 and 2011 would be paid from institutional funds. For ERS institutions, any General Revenue costs would appear starting in fiscal year 2012 for the reason specified above.

Local Government Impact

Because the most recent group health insurance enrollment census for fiscal years 2010 and 2011 would not include any instructional staff made eligible by this bill, community colleges, which heavily employ part-time instructional faculty, would absorb the cost of paying the premiums associated with providing full-time benefits to eligible instructional staff in fiscal years 2010 and 2011.

Source Agencies: 327 Employees Retirement System, 710 Texas A&M University System Administrative and General Offices, 323 Teacher Retirement System, 720 The University of Texas System Administration

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