

**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 20, 2009**

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

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

**IN RE: HB3754** by Howard, Donna (Relating to the insurance code to include members of a junior college board.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3754, As Introduced: a negative impact of (\$1,563,647) 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	(\$721,683)
2011	(\$841,964)
2012	(\$902,104)
2013	(\$962,244)
2014	(\$1,022,385)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> <b>1</b>	Probable Savings/ (Cost) from <i>GR Dedicated Accounts</i> <b>994</b>	Probable Savings/ (Cost) from <i>Federal Funds</i> <b>555</b>	Probable Savings/ (Cost) from <i>Other Special State Funds</i> <b>998</b>
2010	(\$721,683)	(\$29,892)	(\$161,383)	(\$3,160)
2011	(\$841,964)	(\$34,874)	(\$188,281)	(\$3,687)
2012	(\$902,104)	(\$37,365)	(\$201,729)	(\$3,951)
2013	(\$962,244)	(\$39,856)	(\$215,178)	(\$4,214)
2014	(\$1,022,385)	(\$42,347)	(\$228,626)	(\$4,477)

Fiscal Year	Probable Savings/ (Cost) from <i>State Highway Fund</i> <b>6</b>
2010	(\$164,361)
2011	(\$191,754)
2012	(\$205,451)
2013	(\$219,148)
2014	(\$232,844)

## **Fiscal Analysis**

The bill would amend Section 1551.101 of Government Code to allow the governing body of all Texas public junior colleges to apply for any of the benefit programs available to participants in the Texas Employees Group Benefits Program (GBP). The bill would require that a member of the governing board be responsible for the paying the benefits premium at the group rate of junior college employees.

The bill would take effect September 1, 2009, or immediately upon a two-thirds vote of all members elected to each house.

## **Methodology**

The Employees Retirement System (ERS) actuary for insurance matters assumes the optional participation of board members would create adverse selection against the ERS health plan, HealthSelect. This is because some eligible board members will have access to other employer-provided insurance and would not need the coverage while younger, healthier board members may find less expensive coverage available in the individual insurance market. As a consequence, the adverse selection would increase the average cost of HealthSelect coverage and the increase in cost would require higher contributions from both the state and GBP members.

ERS used the following assumptions to project the additional costs expected to result from the bill's provisions. There are 55 junior colleges in Texas, each with a board comprised of 7 to 9 members. There are 470 board members assumed eligible to elect coverage under the bill. The eligible board members would elect to participate in the GBP health plan at a rate of 25 percent, resulting in 118 board members. ERS assumes the cost of coverage for these 118 board members will be similar to the cost of coverage for the average Consolidated Omnibus Budget Reconciliation Act (COBRA) member, who also participates on an optional basis. It is estimated that the cost to cover an average COBRA member is about three times the cost to cover an average member of the GBP health plan. The contribution rates for HealthSelect, the GBP health plan, would be set at the levels required to pay the cost of coverage for the average HealthSelect member. The board members who elect to participate would pay based on the HealthSelect contribution rates, resulting in an average revenue deficiency for each electing board member equal to two times the average contribution paid by the electing board member.

For fiscal year 2010, this average revenue deficiency is projected to be about \$13,000 for each electing board member. This projected additional cost would increase each year in accordance with the health benefit cost trend. No growth is assumed in the number of board members eligible for coverage under the bill.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 327 Employees Retirement System

**LBB Staff:** JOB, KJG, MS, DEH