

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 21, 2009

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

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

IN RE: HB4394 by Turner, Chris (Relating to the waiting period for eligibility for benefits under the Texas Employees Group Benefits Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4394, As Introduced: a negative impact of (\$8,239,217) 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	(\$3,969,258)
2011	(\$4,269,959)
2012	(\$4,570,660)
2013	(\$4,931,502)
2014	(\$5,352,484)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>GR Dedicated Accounts</i> 994	Probable Savings/ (Cost) from <i>Federal Funds</i> 555	Probable Savings/ (Cost) from <i>Other Special State Funds</i> 998
2010	(\$3,969,258)	(\$164,408)	(\$887,608)	(\$17,383)
2011	(\$4,269,959)	(\$176,863)	(\$954,852)	(\$18,700)
2012	(\$4,570,660)	(\$189,318)	(\$1,022,095)	(\$20,016)
2013	(\$4,931,502)	(\$204,264)	(\$1,102,786)	(\$21,597)
2014	(\$5,352,484)	(\$221,701)	(\$1,196,927)	(\$23,440)

Fiscal Year	Probable Savings/ (Cost) from <i>State Highway Fund</i> 6
2010	(\$903,984)
2011	(\$972,467)
2012	(\$1,040,951)
2013	(\$1,123,131)
2014	(\$1,219,008)

Fiscal Analysis

The bill would amend Section 1551.1055 of the Insurance Code to remove the 90 day waiting period for Group Benefits Program (GBP) participation for employees returning to state employment who had previously completed at least 90 days of state service. Under the bill, these employees would be eligible for GBP participation on the first day of the month following their re-employment.

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

Methodology

The Employees Retirement System (ERS) actuary for insurance matters estimates that the 90 day waiting period for employees participating in the GBP will result in employer savings of approximately \$42.1 million in fiscal year 2010. Analysis by the actuary indicates that about 15.7 percent of employees who joined the GBP in fiscal year 2008 had participated in the GBP during a prior period of state employment. ERS assumes that this experience is representative of what would be expected in future years, so it is projected that the provisions of the bill would result in a 15.7 percent reduction in the annual savings attributable to the waiting period.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, JRO, MS, DEH