

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 18, 2009

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

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

IN RE: SB42 by Zaffirini (relating to the eligibility of certain employees, postdoctoral fellows, and graduate students to participate in health benefit programs at public institutions of higher education.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB42, Committee Report 2nd House, Substituted: 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 second Committee Substitute divides the bill into two components.

The first component would extend participation eligibility for group health insurance benefits to postdoctoral fellows and to certain graduate students receiving competitive fellowships totaling \$10,000 or more per year. The bill would also make the institution responsible for payment of the premium contributions for these newly-eligible program participants. The premium contributions funded by the institution would be made in proportion to the source of funds from which the fellowship(s) is(are) paid, to the extent allowed by the terms of the fellowship.

Because the fellowship or institution would be obligated to pay the premiums for those individuals

made eligible to receive health benefits by the bill, there is no fiscal implication to the state. However, to the degree fellowships do not pay the premium costs, there may be an undetermined cost to individual institutions.

The second component of 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 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.

The bill would take effect September 1, 2009.

Methodology

It is estimated the provisions of the bill pertaining to community college employees' eligibility for state health benefits contributions 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.

The Legislature may opt to fund premium contribution levels at a higher or lower rate than the 90 percent level used in this fiscal note.

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: 781 Higher Education Coordinating Board, 327 Employees Retirement System

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