

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 18, 2011

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

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

IN RE: HB3373 by Murphy (Relating to state contribution to the cost of certain dependents' participation in the group benefits program for state employees and their dependents.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3373, As Introduced: a positive impact of \$3,938,471 through the biennium ending August 31, 2013.

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
2012	\$1,893,496
2013	\$2,044,975
2014	\$2,188,123
2015	\$2,319,411
2016	\$2,446,978

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>State Highway Fund</i> 6	Probable Savings/ (Cost) from <i>Federal Funds</i> 555
2012	\$1,893,496	\$81,180	\$432,270	\$454,704
2013	\$2,044,975	\$87,675	\$466,851	\$491,080
2014	\$2,188,123	\$93,812	\$499,531	\$525,456
2015	\$2,319,411	\$99,441	\$529,503	\$556,983
2016	\$2,446,978	\$104,910	\$558,626	\$587,617

Fiscal Year	Probable Savings/ (Cost) from <i>Other Funds</i> 997
2012	\$381,255
2013	\$411,756
2014	\$440,578
2015	\$467,013
2016	\$492,699

Fiscal Analysis

The bill would prohibit the state from contributing more than 90 percent of the amount appropriated in the General Appropriations Act for dependent spouse coverage for spouses enrolled in the Employees Retirement System health insurance program that are eligible to participate in another health benefit plan.

The bill affects those enrolled in coverage in the plan year beginning on or after September 1, 2011.

Methodology

The All Funds savings from limiting the state contribution for all state and higher education employees' and retirees' spouses would be \$3.2 million in fiscal year 2012 and \$3.5 million in fiscal year 2013. The savings estimate assumes a health plan cost trend of 8 percent in the 2012-13 biennium and a 5 percent decrease in the number of spouses enrolled in the ERS health plan under the new policy.

ERS estimates that 15 percent or 11,145 of the spouses enrolled in ERS group insurance program in fiscal year 2011 have another option to obtain health coverage. The state contribution for health insurance for dependent spouses in fiscal year 2011 is \$236.34. The state contribution would decrease by 10 percent or \$23.63 a month. The annual savings of \$283.61 would increase by 8 percent in fiscal years 2012 and 2013, 7 percent in 2014, 6 percent in 2015, and 5.5 percent in 2016 as cost increased. The annual savings would be achieved by the state paying less for its share of the health insurance premium for approximately 10,587 dependent spouses each year.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, AG, JI, DH