

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 17, 2013

TO: Honorable Bill Callegari, Chair, House Committee On Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2127 by Howard (Relating to the eligibility of certain employees of public institutions of higher education to participate in a state group benefits program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2127, As Introduced: a negative impact of (\$1,478,780) through the biennium ending August 31, 2015.

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
2014	\$0
2015	(\$1,478,780)
2016	(\$1,589,465)
2017	(\$1,700,837)
2018	(\$1,811,522)

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>Other Special State Funds</i> 998	Probable Savings/(Cost) from <i>State Highway Fund</i> 6
2014	\$0	\$0	\$0	\$0
2015	(\$1,478,780)	(\$56,672)	(\$8,933)	(\$255,245)
2016	(\$1,589,465)	(\$60,914)	(\$9,601)	(\$247,350)
2017	(\$1,700,837)	(\$65,182)	(\$10,274)	(\$293,573)
2018	(\$1,811,522)	(\$69,424)	(\$10,943)	(\$312,678)

Fiscal Year	Probable (Cost) from Federal Funds 555
2014	\$0
2015	(\$278,236)
2016	(\$299,062)
2017	(\$320,017)
2018	(\$340,843)

The bill would amend the Insurance Code to change eligibility rules for the participation of adjunct faculty in the Group Benefits Program administered by the Employees Retirement System. The bill would lower the number of teaching hours from 12 to 9 required to qualify for participation. It would eliminate the requirement that the adjunct professor have taught at the institution during the preceding three academic years. The bill would extend coverage to professional librarians who are members of the adjunct faculty. The bill would become effective September 1, 2013, to be included for policies delivered, issued for delivery, or renewed on or after January 1, 2014.

Fiscal Analysis

Although the full contribution would be paid by the qualified individuals seeking coverage, the Employees Retirement System estimates that adverse selection would potentially increase the average cost of coverage, which could increase state and member contribution rates.

Methodology

The Employees Retirement System estimates that participation of adjunct faculty in the Group Benefits Program would increase by approximately 182 percent. ERS includes in its estimate an assumption that the adverse selection among the adjunct faculty members who would participate in HealthSelect as a result of this bill would be similar to that which has been experienced with the adjunct faculty members who are currently participating. Projected additional costs are based on the following annual health benefit cost trend: 8 percent for fiscal year 2015, 7.5 percent for fiscal year 2016, 7.0 percent for fiscal year 2017, 6.5 percent for fiscal year 2018 and 6.0 percent for fiscal year 2019.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: UP, RB, EP, PFe, JJO