

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

July 24, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB151 by Gooden (Relating to the administration of certain group benefits by the Teacher Retirement System of Texas; making an appropriation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB151, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

General Revenue-Related Funds, Six-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|---|
| 2017 | \$0 |
| 2018 | \$0 |
| 2019 | \$0 |
| 2020 | \$0 |
| 2021 | \$0 |
| 2022 | \$0 |

All Funds, Six-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>Economic Stabilization Fund</i> 599 | Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599 |
|-------------|---|---|
| 2017 | (\$1,000,000,000) | (\$268,667) |
| 2018 | \$0 | (\$17,124,000) |
| 2019 | \$0 | (\$19,467,000) |
| 2020 | \$0 | (\$20,131,000) |
| 2021 | \$0 | (\$20,522,000) |
| 2022 | \$0 | (\$20,921,000) |

Fiscal Analysis

The bill would appropriate \$1.0 billion from the Economic Stabilization Fund to the retired school employees group insurance fund established under Section 1575.301, Insurance Code (TRS-Care). The bill specifies that the Teacher Retirement System (TRS) shall use \$250 million in each of the 2018-21 plan years to reduce deductibles for the health benefit plan coverage provided under a basic plan; enhance coverage for prescription drugs; provide subsidies for

premium contributions of Medicare-eligible members and dependent coverage; and reduce out-of-pocket costs. The funds appropriated by the bill may not be used to offset the statutory contributions otherwise required for the state, active employees, or school districts, as established in Chapter 1575 of the Insurance Code.

The bill would require TRS to consult with actuaries, produce two annual reports, and complete one study. First, the bill would require TRS to consult with actuaries on the use of funds appropriated by the bill, and to prepare and circulate an annual report detailing the intended use of the funds for the following plan year. Second, the bill would require TRS to produce an annual report containing: (a) projected health care cost trends and predicted expenses for the retired employees group insurance program in the following year; (b) information relevant to determining cost increases for the group program, including claims history, medical utilization, pharmacy cost information, and network discounts applied to the group program; and (c) estimates of the effect on the funding sufficiency of TRS-Care of an increase in the state contribution rate to 2.0 percent, 2.25 percent, 2.5 percent, 2.75 percent, and 3.0 percent of active employee salary. Third, the bill would require TRS to produce a study of the feasibility of combining active and retired members and their dependents, both those eligible for Medicare and those ineligible, into a single group insurance plan.

Methodology

Because use of the Economic Stabilization Fund (ESF) requires a vote of two-thirds of all members present in each chamber of the Legislature, because a two-thirds vote of all members elected to each chamber would make the bill take effect immediately, and because the Comptroller anticipates making a single transfer to the TRS-Care Trust Fund, this analysis assumes that if the bill passes it would take effect immediately and the funds would be appropriated in fiscal year 2017.

It is anticipated that the appropriation would result in a loss of investment income revenue for the Economic Stabilization Fund of approximately \$268,667 in fiscal year 2017, \$17.1 million in fiscal year 2018, and \$19.5 million in fiscal year 2019, rising gradually thereafter to a probable loss of \$20.9 million of investment revenue in fiscal year 2022, based on information provided by the Comptroller of Public Accounts. Similar fiscal implications would continue after fiscal year 2022. It is anticipated that these projected revenue losses to the Economic Stabilization Fund would be offset by comparable, but indeterminate, investment revenues and interest earnings achieved by the investments of the TRS-Care fund.

It is anticipated that the provisions of the bill requiring TRS to consult with actuaries, produce two annual reports, and complete one study would result in some administrative costs for TRS, but that these costs would be minimal and could be absorbed by existing staff and resources.

As an appropriations bill, this legislation is subject to certification by the Comptroller of Public Accounts.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, AM, TSI