

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3976 by Ashby (Relating to the administration of and benefits payable under the Texas Public School Retired Employees Group Benefits Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3976, As Introduced: a negative impact of (\$162,112,477) through the biennium ending August 31, 2019.

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
2018	(\$79,662,151)
2019	(\$82,450,326)
2020	(\$85,336,088)
2021	(\$88,322,851)
2022	(\$91,414,151)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2018	(\$79,662,151)
2019	(\$82,450,326)
2020	(\$85,336,088)
2021	(\$88,322,851)
2022	(\$91,414,151)

Fiscal Analysis

The bill would amend the Insurance Code relating to the administration of and benefits payable under the Texas Public School Retired Employees Group Benefits Act (TRS-Care). The bill would eliminate the requirement for TRS to provide a premium-free health plan to retirees and instead require eligible retirees, surviving spouses, and dependents participating in the plan to pay a

monthly contribution (premium) to TRS-Care as determined by the TRS board of trustees. The bill would provide that TRS shall establish and collect payments for the share of total costs allocated to retirees, surviving spouses, and surviving dependent children.

The bill would require TRS to establish three plans to be offered to retirees, surviving spouses, and dependents participating in the program, according to their eligibility. TRS would be required to establish a Medicare Advantage plan and a Medicare prescription drug plan for participants eligible to enroll in Medicare. Participants not eligible to enroll in Medicare would be eligible to enroll in a high deductible (HD) plan offered under the Retiree Health group benefits plan. If TRS made another health benefit plan available, any individual otherwise eligible to enroll in Medicare Advantage would be eligible to enroll in this plan.

The bill would increase the state contribution rate from 1.0 to 1.25 percent of public education payroll. In addition, the bill would allow the trustee, as needed, to set premium contribution rates of participants and to modify benefit plan design to maintain the solvency of the fund.

The bill would take effect September 1, 2017.

Methodology

The bill would result in a fiscal impact to the state of an estimated \$79.7 million in fiscal year 2018 and \$82.4 million in fiscal year 2019, for a 2018-19 biennial total of \$162.1 million, based on an increase of the state contribution rate from 1.0 to 1.25 percent of total public education payroll covered by the state.

These estimates are based on an annual growth assumption of 3.5 percent for public education payroll from fiscal year 2017 through the 2018-19 biennium, and the same growth assumption for out-year projections for 2020-22. The estimated fiscal impact to the state excludes employer contributions made for public education payroll covered by Federal Funds and private grants in accordance with current law on proportionality of benefits paid. Federal Funds and private grants cover an estimated 7.4 percent of total public education payroll.

Based on an increase of the state contribution rate from 1.0 to 1.25 percent of payroll, phased-in premium increases, and plan design changes, TRS anticipates that the bill would reduce the 2018-19 TRS-Care fund shortfall from \$1.06 billion to \$257.4 million. Increased premium revenue, decreased benefit payments due to anticipated plan design changes, and the increased state contribution rate would each contribute to the reduction of the shortfall.

Local Government Impact

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

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, KK, AM, TSI