

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 1, 2019

**TO:** Honorable Jim Murphy, Chair, House Committee on Pensions, Investments & Financial Services

**FROM:** John McGeady, Assistant Director     Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** **HB3887** by Capriglione (Relating to enrollment of certain retirees in and cost-sharing for the Texas Public School Employees Group Insurance Program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3887, As Introduced: a negative impact of (\$729,698,873) through the biennium ending August 31, 2021.

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 costs are expected to continue to grow at similar rate as is reflected in the table until fiscal year 2029 due to additional TRS-Care state contribution rate increases in subsequent fiscal years.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$361,237,066)
2021	(\$368,461,807)
2022	(\$469,788,804)
2023	(\$575,021,496)
2024	(\$684,275,581)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>RETIRED SCHOOL EMP GROUP INSURANCE</i> 989	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2020	\$289,701,780	(\$361,237,066)
2021	\$250,481,769	(\$368,461,807)
2022	\$336,286,433	(\$469,788,804)
2023	\$423,371,513	(\$575,021,496)
2024	\$514,451,842	(\$684,275,581)

**Fiscal Analysis**

The bill would amend the Insurance Code to allow certain Medicare-eligible retirees of the Teacher Retirement System (TRS) whose initial enrollment was voluntarily terminated from January 1, 2017 to December 31, 2018 to re-enroll in the TRS-Care program by December 31, 2023.

The bill would increase the statutorily required state contribution rate to the TRS-Care program from 1.25 percent of payroll in fiscal year 2019 to 2.25 percent in fiscal years 2020-21, 2.5 percent in fiscal year 2022, and by an additional 0.25 percentage points each year to total 4.25 percent in fiscal year 2029 and subsequent years.

**Methodology**

In the 2020-21 biennium, TRS estimates the bill would result in a cost of \$729.7 million in General Revenue and a net revenue gain of \$540.2 million to the Retired School Employee Group Insurance Trust Fund.

TRS estimates that 22,631 Medicare eligible retirees voluntarily withdrew from the TRS-Care program during the time period described by the bill. TRS assumes all of these members would re-enroll in TRS-Care for the plan year that begins January 1, 2020. The agency estimates that the net impact on the Retired School Employee Group Insurance Trust Fund of additional premiums and healthcare claims generated by re-enrolled members would total \$71.5 million in fiscal year 2020, \$118.0 million in fiscal year 2021, increasing to \$169.8 million in fiscal year 2024.

TRS assumes the payroll base for TRS-Care state contributions would total \$36.1 billion in fiscal year 2020, growing by 2.0 percent annually. Applying the contribution rates in the bill results in estimated additional state contributions of \$361.2 million in fiscal year 2020, \$376.8 million in fiscal year 2021, increasing to \$748.4 million in fiscal year 2024. These contributions would represent a cost to General Revenue and a revenue gain to the Retired School Employee Group Insurance Trust Fund.

**Local Government Impact**

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

**Source Agencies:** 323 Teacher Retirement System

**LBB Staff:** WP, ASa, CMa, AM