

John Zerwas, M.D.
Chairman



Oscar Longoria
Vice Chairman

**TEXAS HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS**

AGENDA

TUESDAY, JULY 25, 2017
10:00AM OR UPON ADJOURNMENT OF THE FULL HOUSE
CAPITOL EXTENSION, E1.030

- I. CALL TO ORDER**
- II. CHAIRMAN'S OPENING REMARKS**
- III. HOUSE BILL 2 BY REPRESENTATIVE LARRY GONZALES** - Relating to the funding of certain governmental entities subject to abolishment on September 1, 2017.
- IV. HOUSE BILL 25 BY REPRESENTATIVE SARAH DAVIS** - Relating to reimbursement rates for Medicaid acute care therapy services; making an appropriation.
- V. HOUSE JOINT RESOLUTION 18 BY REPRESENTATIVE DONNA HOWARD** - Proposing a constitutional amendment requiring the state to pay at least 50 percent of the cost of maintaining and operating the public school system and prohibiting the comptroller from certifying legislation containing an appropriation unless the requirement is met.
- VI. HOUSE BILL 24 BY REPRESENTATIVE DREW DARBY** - Relating to the salary paid to certain professional employees of public schools; making an appropriation.
- VII. HOUSE BILL 80 BY REPRESENTATIVE DREW DARBY** - Relating to a cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas.
- VIII. HOUSE BILL 76 BY REPRESENTATIVE DREW DARBY** - Relating to a supplemental appropriation for Teacher Retirement System of Texas retiree health.
- IX. HOUSE BILL 20 BY REPRESENTATIVE TRENT ASHBY** - Relating to an appropriation of money from the economic stabilization fund to decrease health insurance premiums and deductibles for certain health benefit plans administered by the Teacher Retirement System of Texas.

- X. HOUSE BILL 151 BY REPRESENTATIVE LANCE GOODEN -** Relating to the administration of certain group benefits by the Teacher Retirement System of Texas; making an appropriation.
- XI. PANEL DISCUSSION:** The committee will hear testimony on the potential impacts related to federal action to Medicaid and the Affordable Care Act, as well as an update on the 1115 Waiver renewal and CHIP reauthorization.

PANEL I

- 1) Charles Smith, Executive Commissioner - Health and Human Services Commission
- 2) Jami Snyder, Associate Commissioner for Medicaid & CHIP Services - Health and Human Services Commission

PANEL II

- 1) John Hawkins, Senior Vice President of Advocacy and Public Policy - Texas Hospital Association
- 2) Stacy Wilson, President - Children's Hospital Association of Texas
- 3) Don McBeath, Director of Government Relations - Texas Organization of Rural and Community Hospitals
- 4) Maureen Milligan, President and CEO - Teaching Hospitals of Texas

PANEL III

- 1) Kevin Warren, President & CEO - Texas Health Care Association
- 2) Amanda Fredriksen, Associate State Director of Advocacy - AARP
- 3) Chase Bearden, Director of Advocacy and Community Organizing - Coalition of Texans with Disabilities
- 4) Bob Kafka, Organizer - ADAPT of Texas

PANEL IV

- 1) Deane Waldman, M.D., Director of the Center for Healthcare Policy - Texas Public Policy Foundation
- 2) Anne Dunkelberg, Associate Director of Health and Wellness Program - Center for Public Policy Priorities

- XII. CLOSING REMARKS AND ADJOURNMENT**

ORIGINAL TO SUBSTITUTE COMPARISON HB 2

The committee substitute for HB 2 merely changes the caption to mirror SB 60, which is the similar bill filed in the Senate.

By: 

H.B. No. 2

Substitute the following for H.B. No. 2:

By: _____

C.S.H.B. No. 2

A BILL TO BE ENTITLED

1

AN ACT

2

relating to the repeal of certain riders for the Texas Medical Board
3 and the Texas State Board of Examiners of Psychologists from the
4 General Appropriations Act that are contingent upon the approval of
5 certain Acts continuing those agencies during the 85th Regular
6 Session.

7

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

8

SECTION 1. The following riders to S.B. 1, Acts of the 85th
9 Legislature, Regular Session, 2017 (the General Appropriations
10 Act), are repealed:

11

(1) Rider 6 following the appropriations to the Texas
12 Medical Board (page VIII-35); and

13

(2) Rider 2 following the appropriations to the Texas
14 State Board of Examiners of Psychologists (page VIII-51).

15

SECTION 2. This Act takes effect immediately if it receives
16 a vote of two-thirds of all the members elected to each house, as
17 provided by Section 39, Article III, Texas Constitution. If this
18 Act does not receive the vote necessary for immediate effect, this
19 Act takes effect on the 91st day after the last day of the
20 legislative session.

By: Gonzales of Williamson

H.B. No. 2

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the funding of certain governmental entities subject to
3 abolishment on September 1, 2017.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. The following riders to S.B. 1, Acts of the 85th
6 Legislature, Regular Session, 2017 (the General Appropriations
7 Act), are repealed:

8 (1) Rider 6 following the appropriations to the Texas
9 Medical Board (page VIII-35); and

10 (2) Rider 2 following the appropriations to the Texas
11 State Board of Examiners of Psychologists (page VIII-51).

12 SECTION 2. This Act takes effect immediately if it receives
13 a vote of two-thirds of all the members elected to each house, as
14 provided by Section 39, Article III, Texas Constitution. If this
15 Act does not receive the vote necessary for immediate effect, this
16 Act takes effect on the 91st day after the last day of the
17 legislative session.

BILL ANALYSIS

H.B. 2
By: Gonzales, Larry
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that even if continued by the 85th Legislature, 1st Called Session, 2017, the Texas Medical Board and the Texas State Board of Examiners of Psychologists would be ineligible for funding under S.B. 1, Acts of the 85th Legislature, Regular Session, 2017 (the General Appropriations Act), due to certain riders in the act making the appropriations for those boards contingent on the passage of legislation continuing the boards during the regular session. H.B. 2 seeks to ensure these boards receive state appropriations in the next fiscal biennium on continuation of the boards by the 85th Legislature, 1st Called Session, 2017, by repealing the applicable contingency riders.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 2 repeals the following riders to S.B. 1, Acts of the 85th Legislature, Regular Session, 2017 (the General Appropriations Act), which make appropriations for the Texas Medical Board and the Texas State Board of Examiners of Psychologists, respectively, contingent on the approval of legislation continuing those boards during that regular legislative session:

- Rider 6 following the appropriations to the Texas Medical Board (page VIII-35); and
- Rider 2 following the appropriations to the Texas State Board of Examiners of Psychologists (page VIII-51).

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.

LEGISLATIVE BUDGET BOARD
Austin, Texas

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

July 19, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2 by Gonzales, Larry (Relating to the funding of certain governmental entities subject to abolishment on September 1, 2017.), **As Introduced**

No fiscal implication to the State is anticipated.

It is assumed that the appropriations made in SB 1, the General Appropriations Act, as certified by the Comptroller of Public Accounts for the agencies subject to abolition, would be effectuated by this legislation, and therefore this bill would not have a fiscal implication.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: UP, KK, SD

By: Davis of Harris

H.B. No. 25

A BILL TO BE ENTITLED

AN ACT

relating to reimbursement rates for Medicaid acute care therapy services; making an appropriation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. (a) In addition to other amounts appropriated to the Health and Human Services Commission for the state fiscal biennium ending August 31, 2019, the following amounts are appropriated to the commission for Medicaid acute care therapy services for the specified periods:

(1) \$34,180,000 from the economic stabilization fund and \$44,977,018 from federal funds for the state fiscal year ending August 31, 2018; and

(2) \$35,995,000 from the economic stabilization fund and \$48,262,959 from federal funds for the state fiscal year ending August 31, 2019.

(b) It is the intent of the legislature that:

(1) the Health and Human Services Commission allocate money appropriated under Subsection (a) of this section among provider types and procedure codes for Medicaid acute care therapy services in a manner that preserves access to care for clients served under the Medicaid fee-for-service and managed care delivery models; and

(2) money appropriated under Subsection (a) of this section be fully reflected in reimbursement rates paid to Medicaid

1 acute care therapy services providers under both the Medicaid
2 fee-for-service and managed care delivery models.

3 SECTION 2. (a) Subject to Subsection (b) of this section:

4 (1) this Act takes effect immediately if it receives a
5 vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution; and

7 (2) if this Act does not receive the vote necessary for
8 immediate effect, this Act takes effect on the 91st day after the
9 last day of the legislative session.

10 (b) This Act takes effect only if it receives a vote of
11 two-thirds of the members present in each house of the legislature,
12 as provided by Section 49-g(m), Article III, Texas Constitution.

BILL ANALYSIS

H.B. 25
By: Davis, Sarah
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Concerns have been raised about the effects of recent reductions to the reimbursement rate for certain therapy services administered through Medicaid on the delivery of vital services to thousands of Texas children with disabilities. H.B. 25 seeks to make a supplemental appropriation to the Health and Human Services Commission to restore funding and reverse these rate reductions.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 25 appropriates to the Health and Human Services Commission (HHSC), in addition to other amounts appropriated to HHSC for the 2018-2019 state fiscal biennium, \$34,180,000 from the economic stabilization fund and \$44,977,018 from federal funds for the 2018 state fiscal year and \$35,995,000 from the economic stabilization fund and \$48,262,959 from federal funds for the 2019 state fiscal year for Medicaid acute care therapy services. The bill takes effect only if it receives the vote necessary for an appropriation of money from the economic stabilization fund.

EFFECTIVE DATE

Except as otherwise provided, on passage, or if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.

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: HB25 by Davis, Sarah (Relating to reimbursement rates for Medicaid acute care therapy services; making an appropriation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB25, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599	Appropriation out of <i>Federal Funds</i> 555
2018	\$34,180,000	\$44,977,018
2019	\$35,995,000	\$48,262,959

General Revenue-Related Funds, Five-Year Impact:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Economic Stabilization Fund</i> 599	Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599	Probable (Cost) from <i>Federal Funds</i> 555
2018	(\$34,180,000)	(\$410,000)	(\$44,977,018)
2019	(\$35,995,000)	(\$1,226,000)	(\$48,262,959)
2020	\$0	(\$1,303,000)	\$0
2021	\$0	(\$1,327,000)	\$0
2022	\$0	(\$1,351,000)	\$0

Fiscal Analysis

The bill would appropriate \$34,180,000 from the Economic Stabilization Fund and \$44,977,018 in Federal Funds for fiscal year 2018 and \$35,995,000 from the Economic Stabilization Fund and \$48,262,959 in Federal Funds for fiscal year 2019 to the Health and Human Services Commission for Medicaid acute care therapy services.

The bill would take effect immediately with a two-thirds vote of all members elected to each house; otherwise, it would be effective on the 91st day after the last day of the legislative session. The bill would only take effect with a two-thirds vote of the members present in each house.

Methodology

The above tables reflect appropriations made in the bill. The estimates of revenue loss from the Economic Stabilization Fund assume a loss of interest and investment earnings that would have been earned on amounts appropriated from the fund and were provided by the Comptroller of Public Accounts.

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, 529 Health and Human Services Commission

LBB Staff: UP, KK, LR, TBo

By: Howard

H.J.R. No. 18

A JOINT RESOLUTION

1 proposing a constitutional amendment requiring the state to pay at
2 least 50 percent of the cost of maintaining and operating the public
3 school system and prohibiting the comptroller from certifying
4 legislation containing an appropriation unless the requirement is
5 met.

6 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Section 1, Article VII, Texas Constitution, is
8 amended to read as follows:

9 Sec. 1. A general diffusion of knowledge being essential to
10 the preservation of the liberties and rights of the people, it shall
11 be the duty of the Legislature of the State to establish and make
12 suitable provision for the support and maintenance of an efficient
13 system of public free schools by providing State funding in an
14 amount that constitutes, as determined by the Legislature, at least
15 50 percent of the cost of maintaining and operating that system.

16 SECTION 2. Section 49a, Article III, Texas Constitution, is
17 amended by amending Subsection (b) and adding Subsection (c) to
18 read as follows:

19 (b) Except in the case of emergency and imperative public
20 necessity and with a four-fifths vote of the total membership of
21 each House, no appropriation in excess of the cash and anticipated
22 revenue of the funds from which such appropriation is to be made
23 shall be valid. No bill containing an appropriation shall be
24 considered as passed or be sent to the Governor for consideration

1 until and unless:

2 (1) the Comptroller of Public Accounts endorses the
3 Comptroller's [~~his~~] certificate thereon showing that the amount
4 appropriated is within the amount estimated to be available in the
5 affected funds; and

6 (2) if the bill makes an appropriation for the general
7 maintenance and operation of the system of public free schools, the
8 Comptroller additionally certifies that the appropriation,
9 together with all other appropriations made for the general
10 maintenance and operation of that system for the same period,
11 complies with the requirement of Section 1, Article VII, of this
12 constitution.

13 (c) When the Comptroller finds an appropriation bill
14 exceeds the estimated revenue or, if applicable, fails to comply
15 with Section 1, Article VII, of this constitution, the Comptroller
16 [~~he~~] shall endorse such finding thereon and return to the House in
17 which same originated. Such information shall be immediately made
18 known to both the House of Representatives and the Senate and the
19 necessary steps shall be taken to, as applicable:

20 (1) bring such appropriation to within the revenue,
21 either by providing additional revenue or reducing the
22 appropriation; or

23 (2) comply with Section 1, Article VII, of this
24 constitution.

25 SECTION 3. This proposed constitutional amendment shall be
26 submitted to the voters at an election to be held November 6, 2018.
27 The ballot shall be printed to permit voting for or against the

1 proposition: "The constitutional amendment requiring the state to
2 pay at least 50 percent of the cost of maintaining and operating the
3 public school system and prohibiting the comptroller from
4 certifying legislation containing an appropriation for public
5 education unless the requirement is met."

RESOLUTION ANALYSIS

H.J.R. 18
By: Howard
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties contend that the level of state funding for public education is too low to ensure an efficient system of public free schools. H.J.R. 18 proposes a constitutional amendment to set the level of state funding for public free schools in an amount that constitutes, as determined by the legislature, at least 50 percent of the cost of maintaining and operating that system.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this resolution does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.J.R. 18 proposes an amendment to the Texas Constitution to designate as the manner in which the legislature is responsible for establishing and making suitable provision for the support and maintenance of an efficient system of public free schools the provision of state funding in an amount that constitutes, as determined by the legislature, at least 50 percent of the cost of maintaining and operating that system. The resolution imposes as an additional condition for a bill containing an appropriation for the general maintenance and operation of the public school system to be considered as passed or to be sent to the governor for consideration the certification by the comptroller of public accounts that the appropriation, together with all other such appropriations for the same period, complies with this provision of 50 percent of cost. The resolution makes a finding by the comptroller of such a bill's failure to comply with this provision of 50 percent of cost one of the circumstances in which the comptroller is required to return the bill to the house in which it originated with an endorsement of the comptroller's finding.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 6, 2018.

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: HJR18 by Howard (Proposing a constitutional amendment requiring the state to pay at least 50 percent of the cost of maintaining and operating the public school system and prohibiting the comptroller from certifying legislation containing an appropriation unless the requirement is met.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR18, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

Additionally, the bill would have a negative impact of (\$22,926,452,920) through the biennium ending August 31, 2021 assuming the requirement were met through an increase to the Foundation School Program entitlement. If an approach lowering local revenue or recapture were also enacted, state costs would be lower.

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	\$0
2019	\$0
2020	(\$10,692,224,613)
2021	(\$12,234,228,307)
2022	(\$14,257,089,401)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2018	\$0
2019	\$0
2020	(\$10,692,224,613)
2021	(\$12,234,228,307)
2022	(\$14,257,089,401)

Fiscal Analysis

The resolution would amend the Constitution to require the state to fund at least 50 percent of the cost of maintaining and operating a system of public and free schools.

The resolution would prohibit a bill that contains an appropriation to be considered as passed or sent to the Governor for consideration unless the Comptroller of Public Accounts certifies that the appropriation, together with all other appropriations, complies with the requirement that the state fund at least 50 percent of the cost of maintaining and operating the public school system.

This resolution would be submitted to voters at an election to be held on November 6, 2018.

Methodology

This analysis assumes the requirement that the state fund 50 percent of the maintenance and operations (M&O) of the Foundation School Program (FSP) would be effective beginning with the appropriations for the 2020-21 biennium.

Based on current projections, in fiscal year 2020, the local share of the M&O entitlement of the FSP is estimated to be \$27.9 billion, while the state share is estimated to be \$17.2 billion. This analysis assumes that the state share required by the resolution would be achieved by increasing state aid, and not by decreasing local property taxes. Based on this assumption, the additional state aid that would be needed in fiscal year 2020 to achieve the required state share would be \$10.7 billion.

Current projections for fiscal year 2021 estimate a local share of M&O entitlement to be \$29.3 billion and a state share of \$17.0 billion based on the current law requirements of the FSP. The necessary additional state aid in that fiscal year to achieve the required state share would be \$12.2 billion.

Current projections for fiscal year 2022 estimate a local share of M&O entitlement to be \$30.7 billion and a state share of \$16.5 billion based on the current law requirements of the FSP. The necessary additional state aid in that fiscal year to achieve the required state share would be \$14.3 billion.

As stated above, this analysis assumes an increase in state aid to achieve the required state share percentage. However, if the Legislature enacted legislation that reduced local property taxes, or modified the FSP formulas through appropriation or a change in statute that reduced recapture revenue, the impact would vary from the scenario provided above.

Local Government Impact

This analysis assumes the additional state aid to school districts from implementing the requirements of the resolution would be significant.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency

LBB Staff: UP, KK, AM, AH

By: Darby

H.B. No. 24

A BILL TO BE ENTITLED

AN ACT

relating to the salary paid to certain professional employees of public schools; making an appropriation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 21.402, Education Code, is amended by amending Subsections (c) and (g) and adding Subsections (c-2), (c-3), and (d) to read as follows:

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	<u>.5658</u> [.5464]	<u>.5776</u> [.5582]	<u>.5893</u> [.5699]	<u>.6010</u> [.5816]	<u>.6259</u> [.6064]
Years Experience	5	6	7	8	9
Salary Factor	<u>.6506</u> [.6312]	<u>.6755</u> [.6560]	<u>.6984</u> [.6790]	<u>.7202</u> [.7008]	<u>.7409</u> [.7214]
Years Experience	10	11	12	13	14
Salary Factor	<u>.7603</u> [.7409]	<u>.7786</u> [.7592]	<u>.7963</u> [.7769]	<u>.8125</u> [.7930]	<u>.8280</u> [.8086]
Years Experience	15	16	17	18	19
Salary Factor	<u>.8426</u> [.8232]	<u>.8566</u> [.8372]	<u>.8696</u> [.8502]	<u>.8821</u> [.8626]	<u>.8938</u> [.8744]
Years Experience	20 and over				
Salary Factor	<u>.9049</u> [.8854]				

(c-2) Notwithstanding Subsection (a), for the 2017-2018 school year, a classroom teacher, full-time librarian, full-time school counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the sum of:

(1) the monthly salary the employee would have

1 received for the 2017-2018 school year under the district's salary
2 schedule for the 2016-2017 school year, if that schedule had been in
3 effect for the 2017-2018 school year, including any local
4 supplement and any money representing a career ladder supplement
5 the employee would have received in the 2017-2018 school year; and

6 (2) \$100.

7 (c-3) Subsection (c-2) and this subsection expire September
8 1, 2018.

9 (d) A classroom teacher, full-time librarian, full-time
10 school counselor certified under Subchapter B, or full-time school
11 nurse employed by a school district in the 2017-2018 school year is,
12 as long as the employee is employed by the same district, entitled
13 to a salary that is at least equal to the salary the employee
14 received for the 2017-2018 school year.

15 (g) The commissioner may adopt rules to govern the
16 application of this section, including rules that:

17 (1) require the payment of a minimum salary under this
18 section to a person employed in more than one capacity for which a
19 minimum salary is provided and whose combined employment in those
20 capacities constitutes full-time employment; and

21 (2) specify the credentials a person must hold to be
22 considered a [~~speech pathologist or~~] school nurse under this
23 section.

24 SECTION 2. Section [42.2513](#)(a), Education Code, is amended
25 to read as follows:

26 (a) A school district, including a school district that is
27 otherwise ineligible for state aid under this chapter, is entitled

1 to state aid in an amount equal to the sum of:

2 (1) the product of \$500 multiplied by the number of
3 full-time district employees, other than administrators or
4 employees subject to the minimum salary schedule under Section
5 [21.402](#); ~~and~~

6 (2) the product of \$1,000 multiplied by the number of
7 classroom teachers, full-time librarians, full-time school
8 counselors certified under Subchapter B, Chapter [21](#), and full-time
9 school nurses employed by the district; and

10 (3) the product of \$250 multiplied by the number of
11 part-time district employees, other than administrators.

12 SECTION 3. (a) In addition to other amounts appropriated in
13 S.B. 1, Acts of the 85th Legislature, Regular Session, 2017 (the
14 General Appropriations Act), to the Texas Education Agency for the
15 state fiscal biennium ending August 31, 2019, \$848,000,000 is
16 appropriated from the economic stabilization fund to the agency for
17 use by the agency during the state fiscal biennium ending August 31,
18 2019, in supporting salary increases as provided by Section [21.402](#),
19 Education Code, as amended by this Act.

20 (b) It is the intent of the legislature that out of the
21 appropriations made under Subsection (a) of this section:

22 (1) the Texas Education Agency transfer to the Teacher
23 Retirement System of Texas an amount of \$63,000,000 as the state's
24 contribution towards retirement benefits under Chapter [824](#),
25 Government Code, and health benefit plan coverage under the Texas
26 Public School Employees Group Insurance Program authorized by
27 Chapter [1575](#), Insurance Code; and

1 (2) each professional public school employee subject
2 to the minimum salary schedule under Section 21.402, Education
3 Code, receive a salary increase.

4 SECTION 4. Section 21.402(c-1), Education Code, is
5 repealed.

6 SECTION 5. This Act applies beginning with the 2017-2018
7 school year.

8 SECTION 6. (a) Subject to Subsection (b) of this section:

9 (1) this Act takes effect immediately if it receives a
10 vote of two-thirds of all the members elected to each house, as
11 provided by Section 39, Article III, Texas Constitution; and

12 (2) if this Act does not receive the vote necessary for
13 immediate effect, this Act takes effect on the 91st day after the
14 last day of the legislative session.

15 (b) This Act takes effect only if it receives a vote of
16 two-thirds of the members present in each house of the legislature,
17 as provided by Section 49-g(m), Article III, Texas Constitution.

BILL ANALYSIS

H.B. 24
By: Darby
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties report that the governor has encouraged the legislature to increase educator salaries for the purpose of recruiting and retaining high-quality educators. H.B. 24 seeks to provide for such an increase.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 24 amends the Education Code to increase the salary factor for each year of experience used to calculate the salary schedule for each classroom teacher, full-time librarian, full-time certified school counselor, or full-time school nurse employed by a public school district. The bill entitles these employees, for the 2017-2018 school year, to a monthly salary that is at least equal to the sum of \$100 and the monthly salary the employee would have received for the 2017-2018 school year under the school district's salary schedule for the 2016-2017 school year, if that schedule had been in effect for the 2017-2018 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 2017-2018 school year. The bill sets this entitlement to expire September 1, 2018. The bill entitles these employees employed by a school district in the 2017-2018 school year, as long as the employee is employed by the same district, to a salary that is at least equal to the salary the employee received for the 2017-2018 school year. The bill repeals a provision establishing an alternative minimum monthly salary schedule based exclusively on years of experience for each classroom teacher, full-time speech pathologist, full-time librarian, full-time certified school counselor, and full-time school nurse.

H.B. 24 adds an amount equal to the product of \$1,000 multiplied by the number of classroom teachers, full-time librarians, full-time certified school counselors, and full-time school nurses employed by a school district to the additional state aid for staff salary increases to which the district is entitled.

H.B. 24 appropriates \$848,000,000 from the economic stabilization fund to the Texas Education Agency (TEA) for use by TEA during the 2018-2019 state fiscal biennium in supporting salary increases as provided by the bill, in addition to other amounts appropriated in S.B. 1, Acts of the 85th Legislature, Regular Session, 2017 (the General Appropriations Act), to TEA for the 2018-2019 state fiscal biennium.

H.B. 24 applies beginning with the 2017-2018 school year and takes effect only if the bill receives the vote necessary for an appropriation from the economic stabilization fund.

H.B. 24 repeals Section 21.402(c-1), Education Code.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.

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: HB24 by Darby (Relating to the salary paid to certain professional employees of public schools; making an appropriation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB24, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

Additionally, the bill would have a negative impact of (\$878,043,081) through the biennium ending August 31, 2021.

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2018	\$424,000,000
2019	\$424,000,000

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	(\$435,117,387)
2021	(\$442,925,694)
2022	(\$450,874,551)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Economic Stabilization Fund 599	Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599
2018	\$0	\$0	(\$419,912,524)	(\$2,997,000)
2019	\$0	\$0	(\$427,447,144)	(\$12,115,000)
2020	(\$32,417,353)	(\$402,700,034)	\$0	(\$16,128,000)
2021	(\$32,999,092)	(\$409,926,602)	\$0	(\$16,430,000)
2022	(\$33,591,302)	(\$417,283,249)	\$0	(\$16,737,000)

Fiscal Analysis

The bill would increase the minimum salary schedule under Section 21.402 of the Education Code which relates to the minimum amount that each school district is required to pay each classroom teacher, full-time librarian, full-time counselor certified under Chapter 21, Subchapter B of the Education Code, or full-time school nurse.

The bill would specify that, for the 2017-18 school year, each classroom teacher, full-time librarian, full-time school counselor, or full-time school nurse is entitled to the sum of: 1) the monthly salary the employee would have received for the 2017-18 school year under the district's salary schedule for the 2016-17 school year, if that schedule had been in effect for the 2017-18 school year; and 2) \$100.

The bill would also require any classroom teacher, full-time librarian, full-time school counselor, or full-time nurse to receive a salary that is at least equal to the salary the employee received for the 2017-18 school year in each subsequent year, as long as that employee is employed by the same district.

The bill would amend the Education Code to provide additional state aid equal to \$1,000 per classroom teacher, full-time librarian, full-time school counselor, and full-time school nurse employed by a district.

The bill would appropriate an additional \$848 million from the Economic Stabilization Fund in the 2018-19 biennium to the Texas Education Agency (TEA) to implement the provisions of the legislation.

The bill provides that it is the intent of the Legislature that: 1) TEA shall transfer \$63 million to the Teacher Retirement System of Texas (TRS) as the state's contribution towards retirement and health benefits related to the provisions of the bill; and 2) that each professional public school employee subject to the minimum salary schedule shall receive a salary increase.

The bill would take effect immediately if it receives a vote of two-thirds of all members elected to each chamber; otherwise, it would take effect on the 91st day after the last day of the legislative session.

Methodology

In fiscal year 2017, there were a total of 381,766 employees subject to the minimum salary schedule (MSS) pursuant to Chapter 21.402 of the Texas Education Code. Of that total, 380,554 were employees of school districts and charter schools, and 1,212 were subject to the MSS at state

entities. This analysis assumes that the number of school district and charter school employees subject to the MSS increases by 1.8 percent per year, and full-time equivalents at state funded entities remain constant at a fiscal year 2018 budgeted total of 1,224. Based on these assumptions 388,628 employees would receive a \$1,000 raise in fiscal year 2018; 395,601 would receive the raise in fiscal year 2019; increasing to 417,283 in fiscal year 2022.

The additional state aid that would be provided under Section 42.2513(a) of the Education Code to support the salary increases of these employees would be \$388.6 million in fiscal year 2018, \$395.6 million in fiscal year 2019, increasing to \$417.3 million in fiscal year 2022.

State contributions to TRS-Care associated with the increased salary, based on a contribution rate of 1.25 percent of active payroll, are anticipated to be \$4.9 million in fiscal year 2018, \$4.9 million in fiscal year 2019, increasing to \$5.2 million in fiscal year 2022. State contributions to TRS for retirement associated with the increased salary, based on a contribution rate of 6.8 percent of eligible payroll, are anticipated to be \$26.4 million in fiscal year 2018, \$26.9 million in fiscal year 2019, increasing to \$28.4 million in fiscal year 2022.

As noted above, in fiscal years 2018 and 2019, these provisions would be financed by an appropriation from the Economic Stabilization Fund. In subsequent years, this analysis assumes that the additional state aid associated with Section 42.2513(a) of the Education Code would be funded with appropriations from the Foundation School Fund and the additional costs associated with TRS retirement contributions and TRS-Care would be funded with appropriations from the General Revenue Fund.

The Comptroller of Public Accounts indicates that the appropriations laid out in the bill would result in reduced interest and investment earnings on the Economic Stabilization Fund cash balance of \$3.0 million in fiscal year 2018, \$12.1 million in fiscal year 2019, increasing to \$16.7 million in year 2022.

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

Local Government Impact

School districts would receive additional state aid from the Foundation School Program to fund the salary increases provided under the bill. In addition to the costs noted above, school districts would be responsible from contributing 0.75 percent of active salary to TRS-Care and districts that do not participate in Social Security would contribute an additional 1.5 percent of active salary to TRS retirement.

In total, district costs related to TRS-Care are anticipated to be \$2.9 million in fiscal year 2018, \$3.0 million in fiscal year 2019, increasing to \$3.1 million in fiscal year 2022.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 701 Texas Education Agency

LBB Staff: UP, KK, AM, AH, TSI

By: Darby

H.B. No. 80

A BILL TO BE ENTITLED

AN ACT

relating to a cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter H, Chapter 824, Government Code, is amended by adding Section 824.703 to read as follows:

Sec. 824.703. ADDITIONAL COST-OF-LIVING ADJUSTMENT.

(a) Notwithstanding Section 824.702, the retirement system shall make a one-time cost-of-living adjustment payable to annuitants receiving a monthly death or retirement benefit annuity, as provided by this section.

(b) Subject to Subsections (c) and (d), to be eligible for the adjustment, a person must be, on the effective date of the adjustment and disregarding any forfeiture of benefits under Section 824.601, an annuitant eligible to receive:

(1) a standard service or disability retirement annuity payment;

(2) an optional service or disability retirement annuity payment as either a retiree or beneficiary;

(3) an annuity payment under Section 824.402(a)(3) or (4);

(4) an annuity payment under Section 824.502; or

(5) an alternate payee annuity payment under Section 804.005.

1 (c) If the annuitant:

2 (1) is a retiree or is a beneficiary under an optional
3 retirement payment plan, to be eligible for the adjustment under
4 this section:

5 (A) the annuitant must be living on the effective
6 date of the adjustment; and

7 (B) the effective date of the retirement of the
8 member of the retirement system must have been after August 31,
9 2004, and on or before August 31, 2015;

10 (2) is a beneficiary under Section 824.402(a)(3) or
11 (4) or 824.502, to be eligible for the adjustment:

12 (A) the annuitant must be living on the effective
13 date of the adjustment; and

14 (B) the date of death of the member of the
15 retirement system must have been after August 31, 2004, and on or
16 before August 31, 2015; or

17 (3) is an alternate payee under Section 804.005, the
18 annuitant is eligible for the adjustment only if the effective date
19 of the election to receive the annuity payment was after August 31,
20 2004, and on or before August 31, 2015.

21 (d) An adjustment made under this section does not apply to
22 payments under:

23 (1) Section 824.203(d), relating to retirees who
24 receive a standard service retirement annuity in an amount fixed by
25 statute;

26 (2) Section 824.304(a), relating to disability
27 retirees with less than 10 years of service credit;

1 (3) Section 824.304(b)(2), relating to disability
2 retirees who receive a disability annuity in an amount fixed by
3 statute;

4 (4) Section 824.404(a), relating to active member
5 survivor beneficiaries who receive a survivor annuity in an amount
6 fixed by statute;

7 (5) Section 824.501(a), relating to retiree survivor
8 beneficiaries who receive a survivor annuity in an amount fixed by
9 statute; or

10 (6) Section 824.804(b), relating to participants in
11 the deferred retirement option plan with regard to payments from
12 their deferred retirement option plan accounts.

13 (e) An adjustment under this section:

14 (1) must be made beginning with an annuity payable for
15 the month of December 2017; and

16 (2) is limited to the lesser of:

17 (A) an amount equal to three percent of the
18 monthly benefit subject to the increase; or

19 (B) \$100 a month.

20 (f) The board of trustees shall determine the eligibility
21 for and the amount of any adjustment in monthly annuities in
22 accordance with this section.

23 SECTION 2. This Act takes effect immediately if it receives
24 a vote of two-thirds of all the members elected to each house, as
25 provided by Section 39, Article III, Texas Constitution. If this
26 Act does not receive the vote necessary for immediate effect, this
27 Act takes effect December 1, 2017.

BILL ANALYSIS

H.B. 80
By: Darby
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties cite the encouragement of the governor in calling for an increase in benefits for retired teachers who are seeing dramatic increases in health care costs and plan changes. H.B. 80 seeks to address this issue by making a one-time cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 80 amends the Government Code to require the Teacher Retirement System of Texas (TRS) to make a one-time cost-of-living adjustment payable to annuitants receiving a monthly death or retirement benefit annuity. The bill requires a person, to be eligible for the adjustment, to be an annuitant eligible to receive, on the effective date of the adjustment and disregarding any forfeiture of monthly benefits based on resumption of service, a standard service or disability retirement annuity payment, an optional service or disability retirement annuity payment as either a retiree or beneficiary, an annuity payment for a 60-month period as the designated beneficiary of an active TRS member who dies during a school year in which the member has performed service, an annuity payment for the life of such a designated beneficiary, an annuity payment as the designated beneficiary of a disability retiree who meets certain criteria, or an alternate payee annuity payment under certain circumstances in lieu of benefits awarded by a qualified domestic relations order.

H.B. 80 requires, for an annuitant who is a retiree or who is a beneficiary under an optional retirement payment plan to be eligible for the adjustment, the annuitant to be living on the effective date of the adjustment and the effective date of the TRS member's retirement to have been after August 31, 2004, and on or before August 31, 2015. The bill requires, for an annuitant who is a designated beneficiary receiving an annuity payment for a 60-month period on the death of an active TRS member, an annuity payment for life on the death of an active TRS member, or an annuity payment on the death of a disability retiree to be eligible for the adjustment, the annuitant to be living on the effective date of the adjustment and the date of the TRS member's death to have been after August 31, 2004, and on or before August 31, 2015. The bill makes an annuitant who is an alternate payee receiving an annuity payment in lieu of benefits awarded by a qualified domestic relations order eligible for the adjustment only if the effective date of the election to receive the annuity payment was after August 31, 2004, and on or before August 31,

2015.

H.B. 80 requires the adjustment to be made beginning with an annuity payable for the month of December 2017 and limits the adjustment to the lesser of an amount equal to three percent of the monthly benefit subject to the increase or \$100 a month. The bill requires the TRS board of trustees to determine the eligibility for and the amount of any adjustment in monthly annuities in accordance with the bill's provisions. The bill excludes from the application of the adjustment payments made under specified statutory provisions relating to retirees who receive a standard service retirement annuity in an amount fixed by statute, relating to disability retirees with less than 10 years of service credit, relating to disability retirees who receive a disability annuity in an amount fixed by statute, relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute, relating to retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute, or relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, December 1, 2017.

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: HB80 by Darby (Relating to a cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas.), **As Introduced**

The provisions of the bill are not expected to take effect because the statutory requirement for actuarial soundness cannot be met upon payment of the proposed benefit increases. However, if the benefit increases were paid, there would be a significant but indeterminate cost to the State, unless the cost is passed on to the System members or local employers.

The bill would make a one-time cost-of-living adjustment to the retirement benefits paid to certain service retirees, disability retirees, and survivors by the Teacher Retirement System of Texas (TRS). To be eligible for the increase, the annuitant must have retired between August 31, 2004, and August 31, 2015. The amount of the increase would be the lesser of three percent of the annuitant's monthly benefit or \$100 per month, and the increase would begin with the annuity payable for September 2017. The bill would take effect on December 1, 2017 or immediately with a two-thirds vote of each house.

According to the TRS actuary, and based on the February 28, 2017 actuarial valuation update, the bill would increase the unfunded actuarial accrued liability (UAAL) by \$1.29 billion, decrease the funded ratio from 79.5 percent to 78.9 percent, and increase the funding period from 34.3 years to 38.1 years. The actuary adds that based on the above information, since the funding period of TRS would exceed 30 years by one or more years, passage of this bill would not be allowable under the TRS funding statutes.

Government Code, Section 821.006, prohibits action that would increase the period to amortize the unfunded actuarial liabilities of TRS beyond 31 years. Therefore, no significant fiscal implication to the State is anticipated, as the provisions of the bill are not expected to take effect because the statutory requirement for actuarial soundness cannot be met upon payment of the proposed benefit increases.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, KK, AM, TSI

LEGISLATIVE BUDGET BOARD
Austin, Texas

ACTUARIAL IMPACT STATEMENT

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: HB80 by Darby (Relating to a cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas.), **As Introduced**

ACTUARIAL EFFECTS

The bill would provide a one-time cost-of-living adjustment (COLA) for current retirees who retired after August 31, 2004 and on or before August 31, 2015, equal to the lesser of 3 percent of the current monthly annuity or \$100.

According to the Teacher Retirement System of Texas (TRS) actuarial analysis, the bill would increase the amortization period to fund the Unfunded Actuarial Accrued Liability (UAAL) of TRS from 34.3 years to 38.1 years as of February 28, 2017, and would increase the UAAL by \$1.28 billion from \$36.6 billion to \$37.88 billion. The funded ratio would decrease from 79.5% to 78.9%.

Under the current PRB *Pension Funding Guidelines*, effective June 30, 2017, funding should be adequate to amortize the UAAL over a period which should not exceed 30 years, with 10 - 25 years being a more preferable target. The actuarial review states that TRS is currently actuarially unsound. Under the bill, TRS would remain actuarially unsound, with a 38.1 year amortization period so the bill would have a significant negative impact on the actuarial soundness of TRS.

The actuarial analysis further states that without additional funding the funding period of TRS would exceed 30 years by one or more years and passage of the bill would not be allowed under TRS funding statute, Texas Government Code Section 821.006.

Based on the February 28, 2017 Update of the August 31, 2016 Actuarial Valuation

Teacher Retirement System of Texas (TRS)	Current	Proposed	Difference
Funded Ratio	79.5%	78.9%	0.6%
Unfunded Actuarial Accrued Liability (millions)	\$36,600	\$37,880	\$1,280
Amortization Period (years)	34.3	38.1	3.8

SYNOPSIS OF PROVISIONS

The bill would provide a one-time cost of living increase in the amount of the lesser of 3 percent of the current monthly annuity or \$100 a month to retirees of the TRS who retired on or after August 31, 2004 and on or before August 31, 2015. This increase would also apply to a beneficiary or alternate payee annuitant.

The bill would take effect immediately upon receiving two-thirds majority vote in each house. Otherwise, the bill would take effect December 1, 2017.

FINDINGS AND CONCLUSIONS

The actuarial analysis stated the legislature could finance the full amount of the COLA without impacting the amortization period via an estimated \$1.36 billion contribution in FY 2018, or \$1.47 billion over the biennium (\$736 million paid in each of FYs 2018 and 2019). Alternatively, the State's annual contribution would need to increase from 7.70% to 8.18% (0.29% to reduce the funding period to the statutory 30 year benchmark and 0.19% to fund the changes in the bill).

METHODOLOGY AND STANDARDS

The TRS analysis relies on the actuarial value of assets as of the mid-year February 28, 2017 actuarial valuation, and the participant data, financial information, benefit structure, and actuarial assumptions and methods used in the TRS actuarial valuation as of August 31, 2016.

According to the PRB actuary, the actuarial assumptions, methods, and procedures used in the analysis appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions. This analysis is based on the assumption that no other legislative changes affecting the funding or benefits of TRS will be adopted. It should be noted that when several proposals are adopted, the effect of each may be compounded, resulting in a cost that is greater (or less) than the sum of each proposal considered independently.

SOURCES

Actuarial Analysis by Lewis Ward, consultant, and Joseph P. Newton, FSA, EA, MAAA Gabriel Roeder Smith & Company, July 24, 2017.

Actuarial Review by Kenneth J. Herbold, ASA, EA, MAAA, Staff Actuary, Pension Review Board, July 24, 2017.

GLOSSARY

Actuarial Accrued Liability (AAL) - The portion of the PVFB that is attributed to past service.

Actuarial Value of Assets (AVA) - The smoothed value of system's assets.

Amortization Payments - The yearly payments made to reduce the Unfunded Actuarial Accrued Liability (UAAL).

Amortization Period - The number of years required to pay off the unfunded actuarial accrued liability. The State Pension Review Board recommends that funding should be adequate to amortize the UAAL over a period which should not exceed 30 years, with 15-25 years being a more preferable target. An amortization period of 0-15 years is also a more preferable target.

Actuarial Cost Method - A method used by actuaries to divide the Present Value of Future Benefits (PVFB) into the Actuarial Accrued Liability (AAL), the Present Value of Future Normal Costs (PVFNC), and the Normal Cost (NC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - The portion of the PVFB that is attributed to the current year of service.

Present Value of Future Benefits (PVFB) - The present value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The portion of the PVFB that will be attributed to future years of service.

Unfunded Actuarial Accrued Liability (UAAL) - The Actuarial Accrued Liability (AAL) less the Actuarial

Value of Assets (AVA).

Source Agencies: 338 Pension Review Board

LBB Staff: UP, AM, KFa

By: Darby

H.B. No. 76

A BILL TO BE ENTITLED

AN ACT

1
2 relating to a supplemental appropriation for Teacher Retirement
3 System of Texas retiree health.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. (a) In addition to amounts previously
6 appropriated to the Teacher Retirement System for the state fiscal
7 biennium ending August 31, 2019, for Strategy A.2.1, Retiree Health
8 - Statutory Funds, the amount of \$50,000,000 is appropriated out of
9 the general revenue fund to that agency for the state fiscal year
10 ending August 31, 2018, and the amount of \$50,000,000 is
11 appropriated out of the general revenue fund to that agency for the
12 state fiscal year ending August 31, 2019.

13 (b) In this section, "Strategy A.2.1, Retiree Health -
14 Statutory Funds" means that strategy for the Teacher Retirement
15 System as provided by S.B. 1, Acts of the 85th Legislature, Regular
16 Session, 2017 (the General Appropriations Act).

17 SECTION 2. This Act takes effect immediately if it receives
18 a vote of two-thirds of all the members elected to each house, as
19 provided by Section 39, Article III, Texas Constitution. If this
20 Act does not receive the vote necessary for immediate effect, this
21 Act takes effect on the 91st day after the last day of the
22 legislative session.

BILL ANALYSIS

H.B. 76
By: Darby
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that, due to recent funding shortfalls for teacher retirement health care, retired educators are seeing dramatic cost increases. H.B. 76 seeks to address this issue by providing a supplemental appropriation for Teacher Retirement System of Texas retiree health.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 76 appropriates \$50,000,000 out of the general revenue fund to the Teacher Retirement System of Texas (TRS) for the 2018 state fiscal year and \$50,000,000 out of the general revenue fund to TRS for the 2019 state fiscal year, in addition to amounts previously appropriated to TRS for the 2018-2019 state fiscal biennium for Strategy A.2.1, Retiree Health - Statutory Funds as provided by S.B. 1, Acts of the 85th Legislature, Regular Session, 2017 (the General Appropriations Act).

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.

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: HB76 by Darby (Relating to a supplemental appropriation for Teacher Retirement System of Texas retiree health.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB76, As Introduced: a negative impact of (\$100,000,000) through the biennium ending August 31, 2019.

Appropriations:

Fiscal Year	Appropriation out of <i>General Revenue Fund</i> 1
2018	\$50,000,000
2019	\$50,000,000

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$50,000,000)
2019	(\$50,000,000)
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2018	(\$50,000,000)
2019	(\$50,000,000)
2020	\$0
2021	\$0
2022	\$0

Fiscal Analysis

The bill would appropriate \$50.0 million of General Revenue in each fiscal year of the 2018-19 biennium to Strategy A.2.1., Retiree Health - Statutory Funds of the Teacher Retirement System bill pattern (TRS-Care).

The bill would take effect immediately if it received a vote of two-thirds of all members of each chamber of the Legislature, or otherwise on the 91st day after the last day of the legislative session.

Methodology

The appropriation provided by the bill would be in addition to amounts appropriated to TRS Retiree Health - Statutory Funds as provided by Senate Bill 1, Acts of the 85th Legislature, Regular Session, 2017 (the General Appropriations Act).

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: 323 Teacher Retirement System

LBB Staff: UP, KK, AM, TSI

BILL ANALYSIS

C.S.H.B. 20
Ashby
Appropriations
7/24/17
As Substituted

BACKGROUND AND PURPOSE

Interested parties call for an appropriation of money from the economic stabilization fund to decrease health insurance premiums and deductibles for health benefit plans administered by the Teacher Retirement System of Texas. C.S.H.B. 20 seeks to make this appropriation.

CHANGES BETWEEN SUBSTITUTE AND BILL AS FILED

The originally filed version of this bill includes language which differs from the substitute in two significant ways. First, the appropriation changes from \$150 million to \$212.7 million. Second, the originally filed version would only allow dollars to be used to reduce costs for participants in the high deductible plan, but the substitute allows appropriated funds to be used to reduce costs for all plan participants. See changes below:

As Originally Filed

relating to an appropriation of money from the economic stabilization fund to decrease health insurance ~~premiums and deductibles~~ for certain health benefit plans administered by the Teacher Retirement System of Texas.

BE IT ENACTED BY THE
LEGISLATURE OF THE STATE OF
TEXAS:

SECTION 1.

The amount of ~~\$150~~ million is appropriated from the economic stabilization fund to the retired school employees group insurance fund established under Section 1575.301, Insurance Code, for use by the Teacher Retirement System of Texas to decrease the ~~premiums and deductibles~~ for the 2018 and 2019 plan years for ~~enrollees in the high deductible health plan established under Section 1575.158, Insurance Code, as amended by H.B. 3976, 85th Legislature, Regular Session, 2017.~~

SECTION 2.

The Teacher Retirement System of Texas may use funds appropriated by this Act only to decrease the premiums and deductibles ~~for the 2018 and 2019 plan years that would otherwise be paid by enrollees in the high deductible health plan established under Section 1575.158, Insurance Code, as~~

As Substituted

relating to an appropriation of money from the economic stabilization fund to decrease **participants'** health insurance **costs** for certain health benefit plans administered by the Teacher Retirement System of Texas.

BE IT ENACTED BY THE
LEGISLATURE OF THE STATE OF
TEXAS:

SECTION 1.

The amount of **\$212.7** million is appropriated from the economic stabilization fund to the retired school employees group insurance fund established under Section 1575.301, Insurance Code, for use by the Teacher Retirement System of Texas to decrease the **costs** for the 2018 and 2019 plan years for **participants in the Texas Public School Employees Group Insurance Program authorized by Chapter 1575, Insurance Code.**

SECTION 2.

The Teacher Retirement System of Texas may use funds appropriated by this Act only to:
(1) decrease the premiums and deductibles **that would otherwise be paid during the 2018 and 2019 plan years by participants in the Texas Public School Employees Group**

~~amended by H.B. 3976, 85th Legislature, Regular Session, 2017.~~

SECTION 3.

- (a) Subject to Subsection (b) of this section:
- (1) this Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution; and
 - (2) if this Act does not receive the vote necessary for immediate effect, this Act takes effect on the 91st day after the last day of the legislative session.
- (b) This Act takes effect only if it receives a vote of two-thirds of the members present in each house of the legislature, as provided by Section 49-g(m), Article III, Texas Constitution.

Insurance Program authorized by Chapter 1575, Insurance Code; and
(2) reduce costs for an enrolled adult child with a mental disability or a physical incapacity during the 2018 and 2019 plan years.

SECTION 3.

- (a) Subject to Subsection (b) of this section:
- (1) this Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution; and
 - (2) if this Act does not receive the vote necessary for immediate effect, this Act takes effect on the 91st day after the last day of the legislative session.
- (b) This Act takes effect only if it receives a vote of two-thirds of the members present in each house of the legislature, as provided by Section 49-g(m), Article III, Texas Constitution.

By: _____ .B. No. _____

Substitute the following for ____B. No. _____:

By: _____ C.S.____B. No. _____

A BILL TO BE ENTITLED

1 AN ACT

2 relating to an appropriation of money from the economic
3 stabilization fund to decrease participants' health insurance
4 costs for certain health benefit plans administered by the Teacher
5 Retirement System of Texas.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. The amount of \$212.7 million is appropriated
8 from the economic stabilization fund to the retired school
9 employees group insurance fund established under Section 1575.301,
10 Insurance Code, for use by the Teacher Retirement System of Texas to
11 decrease the costs for the 2018 and 2019 plan years for participants
12 in the Texas Public School Employees Group Insurance Program
13 authorized by Chapter 1575, Insurance Code.

14 SECTION 2. The Teacher Retirement System of Texas may use
15 funds appropriated by this Act only to:

16 (1) decrease the premiums and deductibles that would
17 otherwise be paid during the 2018 and 2019 plan years by
18 participants in the Texas Public School Employees Group Insurance
19 Program authorized by Chapter 1575, Insurance Code; and

20 (2) reduce costs for an enrolled adult child with a
21 mental disability or a physical incapacity during the 2018 and 2019
22 plan years.

23 SECTION 3. (a) Subject to Subsection (b) of this section:

24 (1) this Act takes effect immediately if it receives a

1 vote of two-thirds of all the members elected to each house, as
2 provided by Section 39, Article III, Texas Constitution; and

3 (2) if this Act does not receive the vote necessary for
4 immediate effect, this Act takes effect on the 91st day after the
5 last day of the legislative session.

6 (b) This Act takes effect only if it receives a vote of
7 two-thirds of the members present in each house of the legislature,
8 as provided by Section 49-g(m), Article III, Texas Constitution.

By: Ashby

H.B. No. 20

A BILL TO BE ENTITLED

AN ACT

1
2 relating to an appropriation of money from the economic
3 stabilization fund to decrease health insurance premiums and
4 deductibles for certain health benefit plans administered by the
5 Teacher Retirement System of Texas.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. The amount of \$150 million is appropriated from
8 the economic stabilization fund to the retired school employees
9 group insurance fund established under Section 1575.301, Insurance
10 Code, for use by the Teacher Retirement System of Texas to decrease
11 the premiums and deductibles for the 2018 and 2019 plan years for
12 enrollees in the high deductible health plan established under
13 Section 1575.158, Insurance Code, as amended by H.B. 3976, 85th
14 Legislature, Regular Session, 2017.

15 SECTION 2. The Teacher Retirement System of Texas may use
16 funds appropriated by this Act only to decrease the premiums and
17 deductibles for the 2018 and 2019 plan years that would otherwise be
18 paid by enrollees in the high deductible health plan established
19 under Section 1575.158, Insurance Code, as amended by H.B. 3976,
20 85th Legislature, Regular Session, 2017.

21 SECTION 3. (a) Subject to Subsection (b) of this section:

22 (1) this Act takes effect immediately if it receives a
23 vote of two-thirds of all the members elected to each house, as
24 provided by Section 39, Article III, Texas Constitution; and

1 (2) if this Act does not receive the vote necessary for
2 immediate effect, this Act takes effect on the 91st day after the
3 last day of the legislative session.

4 (b) This Act takes effect only if it receives a vote of
5 two-thirds of the members present in each house of the legislature,
6 as provided by Section [49-g\(m\)](#), Article III, Texas Constitution.

BILL ANALYSIS

H.B. 20
By: Ashby
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties call for an appropriation of money from the economic stabilization fund to decrease health insurance premiums and deductibles for certain health benefit plans administered by the Teacher Retirement System of Texas. H.B. 20 seeks to make this appropriation.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 20 appropriates \$150 million from the economic stabilization fund to the retired school employees group insurance fund for use by the Teacher Retirement System of Texas (TRS) to decrease the premiums and deductibles for the 2018 and 2019 plan years for enrollees in the high deductible health plan, as amended by H.B. 3976, 85th Legislature, Regular Session, 2017. The bill limits the use of funds so appropriated to decreasing the premiums and deductibles for the 2018 and 2019 plan years that would otherwise be paid by enrollees in the high deductible health plan. The bill takes effect only if it receives the vote necessary for an appropriation of money from the economic stabilization fund.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.

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: HB20 by Ashby (Relating to an appropriation of money from the economic stabilization fund to decrease health insurance premiums and deductibles for certain health benefit plans administered by the Teacher Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB20, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2017	\$150,000,000
2018	\$0
2019	\$0

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	(\$150,000,000)	(\$100,000)
2018	\$0	(\$1,963,000)
2019	\$0	(\$2,760,000)
2020	\$0	(\$2,810,000)
2021	\$0	(\$2,861,000)
2022	\$0	(\$2,913,000)

Fiscal Analysis

The bill would appropriate \$150.0 million from the Economic Stabilization Fund to the retired school employees group insurance fund established under Chapter 1575 of the Texas Insurance Code (TRS-Care). The bill specifies that the appropriation shall be used only to decrease premiums and deductibles for the 2018 and 2019 plan years for members enrolled in the high deductible health plan for non-Medicare retirees established under Section 1575.158 of the Insurance Code, as amended by HB 3976, 85th Legislature, Regular Session, 2017.

The appropriation from the Economic Stabilization Fund prescribed by the bill would take effect only if it receives a vote of two-thirds of the members present in each chamber of the Legislature, as provided by Section 49-g (m), Article III, Texas Constitution.

Methodology

This analysis assumes that the funds appropriated by the bill would be one-time funding for the 2018-19 biennium only and would not be used to offset or increase the statutory state contribution rate established in Chapter 1575 of the Texas Insurance Code.

It is anticipated that the appropriation would result in a loss of investment income revenue for the Economic Stabilization Fund of approximately \$100,000 in fiscal year 2017 and \$2.0 million in fiscal year 2018, rising gradually thereafter to a probable loss of \$2.9 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.

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, 323 Teacher Retirement System

LBB Staff: UP, KK, AM, TSI

By: Gooden

H.B. No. 151

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the administration of certain group benefits by the
3 Teacher Retirement System of Texas; making an appropriation.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Subchapter G, Chapter 1575, Insurance Code, is
6 amended by adding Section 1575.307 to read as follows:

7 Sec. 1575.307. CERTAIN MONEY APPROPRIATED TO FUND. (a)
8 Notwithstanding Section 1575.303 and subject to Subsections (b) and
9 (c), the trustee shall use the money appropriated to the fund by the
10 Act enacting this section to:

11 (1) reduce deductibles for health benefit plan
12 coverage provided under a basic plan;

13 (2) provide some level of first-dollar coverage for
14 prescription drugs;

15 (3) provide subsidies for the contributions required
16 for:

17 (A) coverage for retirees, dependents, surviving
18 spouses, or surviving dependent children who are eligible for
19 Medicare; or

20 (B) dependent coverage; or

21 (4) otherwise reduce out-of-pocket costs for health
22 benefit plan coverage provided under the group program.

23 (b) The trustee shall use \$250 million of the appropriation
24 described by Subsection (a) for each of the following plan years:

1 2018, 2019, 2020, and 2021.

2 (c) The trustee may not use the appropriated money described
3 by Subsection (a):

4 (1) to offset the amount of the required state
5 contribution under Section 1575.201 or 1575.202, the active
6 employee contribution under Section 1575.203, or the public school
7 contribution under Section 1575.204; or

8 (2) for any purpose not authorized by Subsection (a).

9 (d) The trustee shall consult with actuaries to determine
10 how to discharge the trustee's obligations under this section for
11 each plan year. The trustee may allow and consider public comment
12 regarding the use of the appropriated money described by Subsection
13 (a) for purposes of this section.

14 (e) Not later than December 1 of each year, the trustee
15 shall prepare a report detailing the trustee's intended use of the
16 appropriated money described by Subsection (a) for the following
17 plan year and submit the report to the governor, the lieutenant
18 governor, the speaker of the house of representatives, the chair of
19 the Senate Committee on State Affairs, the chair of the House
20 Committee on Pensions, the chair of the Senate Committee on
21 Finance, the chair of the House Committee on Appropriations, and
22 the Legislative Budget Board.

23 (f) This section expires December 31, 2023.

24 SECTION 2. Section 1575.452, Insurance Code, is amended to
25 read as follows:

26 Sec. 1575.452. ANNUAL REPORTS [~~REPORT~~]. (a) Not later than
27 the 180th day after the last day of each state fiscal year, the

1 trustee shall submit a written report to the department concerning
2 the group coverages provided to and the benefits and services being
3 received by individuals covered under this chapter.

4 (b) Each year, the trustee shall prepare a written report
5 containing:

6 (1) projected health care cost trends and predicted
7 expenses related to group coverages and the group program for the
8 following plan year;

9 (2) information relevant to determining cost
10 increases for the group program, including claims history, medical
11 utilization, pharmacy cost information, and network discounts
12 applied to the group program; and

13 (3) estimates of the effect on the funding sufficiency
14 of the group program of an increase in the state contribution under
15 Section 1575.202 to 2 percent, 2.25 percent, 2.5 percent, 2.75
16 percent, and 3 percent of the salary of each active employee.

17 (c) Not later than December 1 of each year, the trustee
18 shall submit the report described by Subsection (b) to the
19 governor, the lieutenant governor, the speaker of the house of
20 representatives, the chair of the Senate Committee on State
21 Affairs, the chair of the House Committee on Pensions, the chair of
22 the Senate Committee on Finance, the chair of the House Committee on
23 Appropriations, and the Legislative Budget Board.

24 SECTION 3. (a) In this section:

25 (1) "Active employee" has the meaning assigned by
26 Section 1575.002, Insurance Code.

27 (2) "Dependent," "surviving dependent child," and

1 "surviving spouse" have the meanings assigned by Section 1575.003,
2 Insurance Code.

3 (3) "Retiree" has the meaning assigned by Section
4 1575.004, Insurance Code.

5 (b) The Teacher Retirement System of Texas shall conduct a
6 study of the feasibility of:

7 (1) combining into a single group health benefit plan
8 active employees, retirees, dependents, surviving spouses, and
9 surviving dependent children who are not eligible to enroll in
10 Medicare; and

11 (2) creating a group health benefit plan for active
12 employees, retirees, dependents, surviving spouses, and surviving
13 dependent children who are eligible to enroll in Medicare.

14 (c) Not later than January 1, 2019, the Teacher Retirement
15 System of Texas shall prepare and submit a report of the results of
16 the study conducted under Subsection (a) of this section together
17 with recommendations for legislation, if appropriate, to the
18 governor, the lieutenant governor, the speaker of the house of
19 representatives, the chair of the Senate Committee on State
20 Affairs, the chair of the House Committee on Pensions, the chair of
21 the Senate Committee on Finance, the chair of the House Committee on
22 Appropriations, and the Legislative Budget Board.

23 SECTION 4. The amount of \$1 billion is appropriated from the
24 economic stabilization fund to the retired school employees group
25 insurance fund established under Section 1575.301, Insurance Code,
26 for distribution by the Teacher Retirement System of Texas as
27 provided by Section 1575.307, Insurance Code, as added by this Act.

1 SECTION 5. (a) Subject to Subsection (b) of this section:

2 (1) this Act takes effect immediately if it receives a
3 vote of two-thirds of all the members elected to each house, as
4 provided by Section 39, Article III, Texas Constitution; and

5 (2) if this Act does not receive the vote necessary for
6 immediate effect, this Act takes effect on the 91st day after the
7 last day of the legislative session.

8 (b) This Act takes effect only if it receives a vote of
9 two-thirds of the members present in each house of the legislature,
10 as provided by Section 49-g(m), Article III, Texas Constitution.

BILL ANALYSIS

H.B. 151
By: Gooden
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties are concerned that insurance premiums are too high for retired Texas teachers. H.B. 151 seeks to address this issue by providing for a one-time distribution from the economic stabilization fund to the Teacher Retirement System of Texas for the teacher health insurance program for the purpose of restoring the loss of benefits or reducing increased out-of-pocket costs for plan participants.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 151 appropriates \$1 billion from the economic stabilization fund to the retired school employees group insurance fund for distribution by the Teacher Retirement System of Texas (TRS) as provided by the bill.

H.B. 151 amends the Insurance Code to require TRS to use the money appropriated to the fund to reduce deductibles for health benefit plan coverage provided under a basic plan; to provide some level of first-dollar coverage for prescription drugs; to provide subsidies for the contributions required for coverage for retirees, dependents, surviving spouses, or surviving dependent children who are eligible for Medicare or for dependent coverage; or to otherwise reduce out-of-pocket costs for health benefit plan coverage provided under the Texas public school employees group insurance program. The bill requires TRS to use \$250 million of the appropriation for each of the following plan years: 2018, 2019, 2020, and 2021. The bill prohibits TRS from using the appropriated money for any unauthorized purpose or to offset the amount of certain required state contributions, the active employee contribution, or the public school contribution.

H.B. 151 requires TRS to consult with actuaries to determine how to discharge the trustee's obligations as set out by the bill for each plan year and authorizes TRS to allow and consider public comment regarding the use of the appropriated money. The bill requires TRS, not later than December 1 of each year, to prepare a report detailing the intended use of the appropriated money for the following plan year and submit the report to the governor, the lieutenant governor, the speaker of the house of representatives, the chair of the Senate Committee on State Affairs, the chair of the House Committee on Pensions, the chair of the Senate Committee on Finance, the chair of the House Committee on Appropriations, and the Legislative Budget Board. The

bill's provisions relating to the use of the appropriated money and corresponding reporting requirements expire December 31, 2023.

H.B. 151 requires TRS to prepare a written report containing projected health care cost trends and predicted expenses related to group coverages and the group program for the following plan year; 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 estimates of the effect on the funding sufficiency of the group program of an increase in the state contribution based on active employee compensation to 2 percent, 2.25 percent, 2.5 percent, 2.75 percent, and 3 percent of the salary of each active employee. The bill requires TRS, not later than December 1 of each year, to submit the report to the same recipients as the report on the intended use of the appropriated money.

H.B. 151 requires TRS to conduct a study of the feasibility of combining into a single group health benefit plan active employees, retirees, dependents, surviving spouses, and surviving dependent children who are not eligible to enroll in Medicare and creating a group health benefit plan for active employees, retirees, dependents, surviving spouses, and surviving dependent children who are eligible to enroll in Medicare. The bill requires TRS, not later than January 1, 2019, to prepare and submit a report of the results of the study together with recommendations for legislation, if appropriate, to the same recipients as the report on the intended use of the appropriated money.

H.B. 151 takes effect only if it receives the vote necessary for an appropriation from the economic stabilization fund.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, on the 91st day after the last day of the legislative session.

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