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HOUSE RESEARCH ORGANIZATION

daily floor report

Tuesday, August 15, 2017
85th Legislature, First Called Session, Number 22
The House convenes at 2 p.m.

SB 19 by Nelson is on the daily calendar for second-reading consideration today. The analysis begins on the following page.

The House is scheduled to consider SB 16 by L. Taylor on third reading, items eligible for consideration, and a Congratulatory and Memorial Calendar.



Dwayne Bohac
Chairman
85(1) - 22

SUBJECT: Using ESF money to decrease health care costs for retired teachers

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 21 ayes — Zerwas, Longoria, Ashby, G. Bonnen, Capriglione, Cospers, S. Davis, Giddings, Gonzales, González, Koop, Miller, Muñoz, Perez, Phelan, Raney, Roberts, J. Rodriguez, Sheffield, Simmons, VanDeaver

0 nays

6 absent — Dean, Dukes, Howard, Rose, Walle, Wu

SENATE VOTE: On final passage, July 25 — 28-3 (Garcia, Rodriguez, V. Taylor)

WITNESSES: No public hearing

BACKGROUND: The 85th Legislature enacted HB 3976 by Ashby, which changes enrollment, premium, and benefit requirements for retired school employees, their spouses, and dependents under the TRS-Care program of the Teacher Retirement System of Texas (TRS) beginning with the 2018 plan year. The TRS Board of Trustees on June 2 approved new plan designs and premiums to take effect January 1, 2018.

Texas Constitution, Art. 3, sec. 49-g governs the Economic Stabilization Fund (ESF), also known as the "rainy day fund," including the manner in which the Legislature may appropriate money from the ESF "at any time and for any purpose" after obtaining an affirmative vote of two-thirds of the members present in each house.

DIGEST: CSHB 19 would appropriate \$212.7 million from the Economic Stabilization Fund to the retired school employees group insurance fund, TRS-Care. The Teacher Retirement System of Texas (TRS) could use the money for the 2018 and 2019 plan years only to decrease premiums and deductibles that otherwise would be paid by TRS-Care participants and to reduce costs for an enrolled adult child with a mental disability or a physical incapacity.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership elected to each house. Otherwise, it would take effect on the 91st day after the last day of the special session, provided it was approved by two-thirds of the members present in each house as required under Texas Constitution, Art. 3, sec. 49-g(m).

**SUPPORTERS
SAY:**

CSSB 19 would use money from the Economic Stabilization Fund (ESF) to reduce premiums, deductibles, and out-of-pocket expenses for participants in TRS-Care, the group health insurance program for retired school employees. The bill is expected to provide financial assistance in areas of greatest need, including deductibles and out-of-pocket expenses for retirees under the age of 65, premiums for spouses and dependent children of all retirees, and premiums for enrolled adult children who have a mental or physical disability. For example, retirees not eligible for Medicare could see their anticipated deductibles reduced from \$3,000 to \$1,500 and their family deductibles reduced from \$6,000 to \$3,000. The bill also could lead to lower monthly premiums for spouses and families of all retirees.

During the most recent regular session, the Legislature took action to keep TRS-Care solvent during fiscal 2018-19, including increased appropriations from the state of \$416.7 million for fiscal 2018-19. The Legislature also enacted HB 3976 by Ashby, which provides a high-deductible plan for younger retirees who are not Medicare eligible, a population that has been a source of much of the rising costs for TRS-Care. The TRS Board of Trustees in June adopted plan designs to take effect January 1, 2018. According to those plan designs, retirees under age 65 will face significantly higher deductibles and out-of-pocket expenses. Many plan participants have complained about the higher costs at a time when the average monthly pension check for retired school employees is about \$2,000.

It would be appropriate to use the ESF to help retired teachers afford rising health care costs, particularly at a time when the fund is growing faster than expected. With a projected balance in the ESF of nearly \$12 billion by the end of fiscal 2019, it would be prudent and responsible to use \$212.7 million from the fund to help retired teachers. The ESF was created in 1987 for the purpose of stabilizing state revenue fluctuations

and was not designed specifically for one-time needs or natural disasters, as some have claimed. The use of ESF is preferable to other TRS-Care funding approaches, such as deferring certain Medicaid payments, which would only increase the amount of the Medicaid shortfall that the 86th Legislature would have to fund through a supplemental appropriations bill in fiscal 2019.

**OPPONENTS
SAY:**

CSSB 19 would hamper progress made by the 85th Legislature to address the solvency of the health insurance program for retired school employees by increasing the program's ongoing costs. This one-time appropriation to lower deductibles, premiums, and maximum out-of-pocket expenses for the 2018 and 2019 plan years could increase the state appropriations needed to sustain the plan in the following biennium, when TRS projects a shortfall of at least \$500 million. The Legislature should not use the ESF as a way to fund an ongoing cost such as health care for retired school employees. The state's economic future is uncertain, and the Legislature should retain its savings in the ESF for use during an economic downturn or in the event of an unexpected, one-time expense, such as a natural disaster.

The Legislature should not retreat from the plan changes made through the enactment of HB 3976. These changes represent a commitment to share the burden of rising health care costs between the state, school districts, and retirees, who have not faced a premium increase in 12 years.

**OTHER
OPPONENTS
SAY:**

The Legislature should appropriate a larger amount from the ESF to help defray more of the health care costs for retired school employees. With the fund projected to grow to \$11.9 billion by the end of fiscal 2019, it has a sufficient cushion to appropriate as much as \$1 billion for TRS-Care to ease the burden of former school employees who dedicated their careers to educating Texas children.

The bill should include a statutory increase in the state's contribution to TRS-Care to ensure that the anticipated lower costs for health care remained in place beyond the fiscal 2018-19 biennium.

The Legislature should consider adding measures to help reward and retain active teachers by including money for bonuses for teachers who

have been in the classroom for at least six years.

NOTES:

According to the Legislative Budget Board's fiscal note, CSSB 19 would cost the Economic Stabilization Fund (ESF) \$212.7 million in fiscal 2017. It is anticipated that it would result in a loss of interest and investment income for the ESF of about \$142,000 in fiscal 2017 and \$2.8 million in fiscal 2018.

The House committee substitute differs from the Senate-passed bill in that CSSB 19:

- would appropriate \$212.7 million from the ESF to the Teacher Retirement System of Texas (TRS), rather than transferring \$212 million in general revenue appropriations from the Health and Human Services Commission (HHSC) to TRS; and
- removes a provision that would transfer \$193 million in general revenue appropriations from HHSC to the Texas Education Agency to pay, at the beginning of the 2018-19 school year, a \$600 bonus to each classroom teacher with at least six years but less than 11 years of teaching experience and a \$1,000 bonus to each classroom teacher with at least 11 years of teaching experience.