

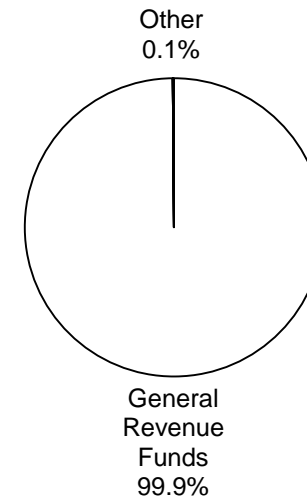
**Higher Education Employees Group Insurance Contributions
Summary of Recommendations - House**

HB1 Page III-37

Kris Kavanaugh, LBB Analyst

Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$967,556,924	\$1,106,667,620	\$139,110,696	14.4%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$967,556,924</i>	<i>\$1,106,667,620</i>	<i>\$139,110,696</i>	<i>14.4%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$1,405,026	\$1,394,626	(\$10,400)	(0.7%)
All Funds	\$968,961,950	\$1,108,062,246	\$139,100,296	14.4%

RECOMMENDED FUNDING
BY METHOD OF FINANCING



The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.

The General Revenue and Fund 006 amounts recommended here represent 100 percent of the direct state contributions appropriated to institutions of higher education for purposes of paying group health insurance premiums. Institutions pay health care premiums proportionally from other fund sources to the degree they receive income from fund sources other than General Revenue and Fund 006. Also, institutions must pay any difference between actual premium cost and appropriated state contributions.

Higher Education Employees Group Insurance Contributions

2014-2015 BIENNIUM

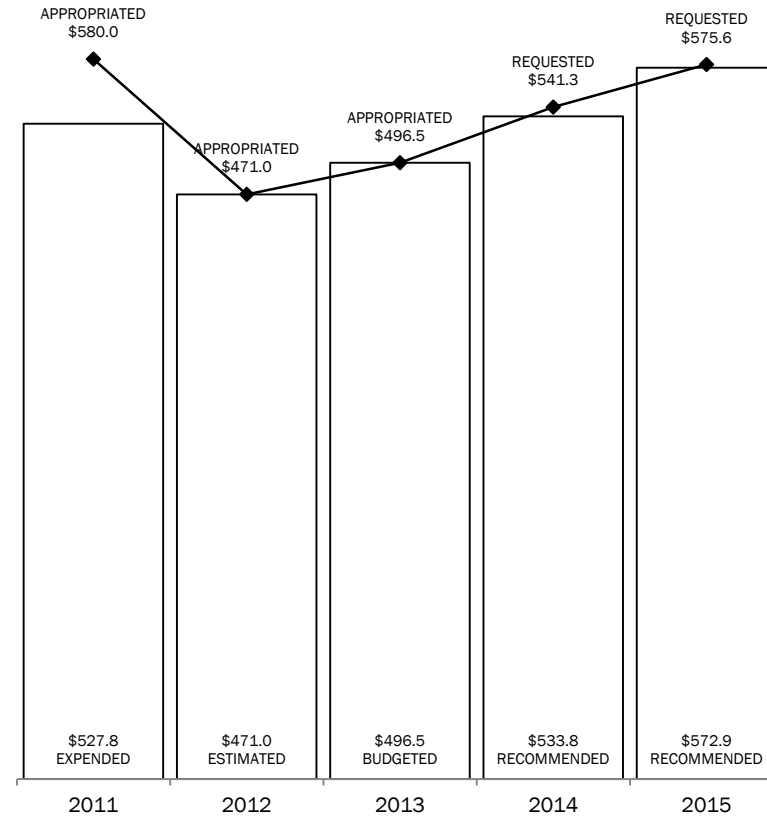
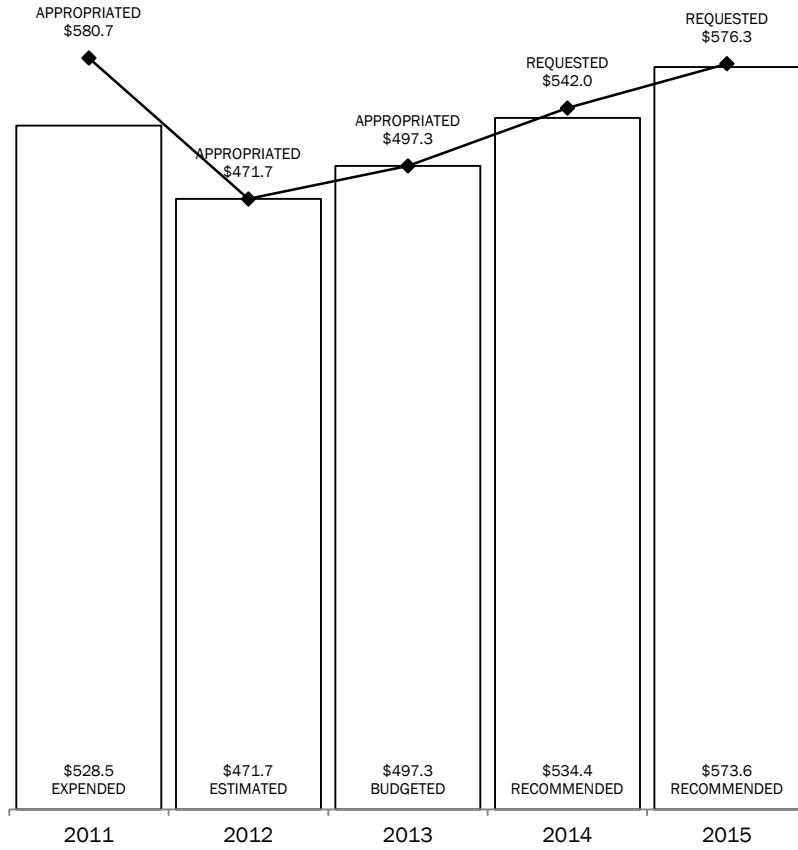
IN MILLIONS

TOTAL= \$1,108.0 MILLION

ALL FUNDS

**GENERAL REVENUE AND
GENERAL REVENUE-DEDICATED FUNDS**

FULL-TIME-EQUIVALENT POSITIONS



**Higher Education Employees Group Insurance Contributions
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
Total, Goal A, STATE CONTRIBUTION, UT SYSTEM	\$340,253,455	\$372,180,299	\$31,926,844	9.4%	
Total, Goal B, STATE CONTRIBUTION, A&M SYSTEM	\$169,934,513	\$186,293,144	\$16,358,631	9.6%	
Total, Goal C, STATE CONTRIBUTION, ERS	\$458,773,982	\$549,588,803	\$90,814,821	19.8%	Contributions for Texas Southmost College were historically included in The University of Texas System goal. Due to the operational split with The University of Texas - Brownsville, these contributions are now included in the Employees Retirement System goal.
Grand Total, All Strategies	\$968,961,950	\$1,108,062,246	\$139,100,296	14.4%	

Contributions for The University of Texas System and Texas A&M System are based on the same out year cost increase assumptions (compounded cost growth of 7.36 percent in 2014 and 7.33 percent in 2015) used for the Employees Retirement System health insurance recommendations.

All of the above Higher Education Group Insurance amounts are General Revenue Fund 001, except for the Texas A&M Forest Service, which in addition to Fund 001 appropriations, also receives HEGI contributions paid out of the Insurance Company Maintenance Tax Fees Fund 8042, and except for the Texas A&M Transportation Institute, which receives all of its HEGI contributions from funds paid out of the State Highway Fund 006. The following amounts for these agencies are included above but are detailed here for informational purposes:

Institution/MOF	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
Texas A&M Forest Service (Fund 8042)	\$2,906,091	\$3,304,942	\$398,851	13.7%
Texas A&M Transportation Institute (Fund 006)	\$1,405,026	\$1,394,626	(\$10,400)	(0.7%)

Section 3

Higher Education Employees Group Health Insurance Contributions Selected Fiscal and Policy Issues

1. The allocation of recommended amounts is based on enrollment data submitted by each institution in its respective Legislative Appropriations Request. Institutions will also submit an updated enrollment census by early February for the December 1, 2012 census date. Should the Legislature opt to use the updated census data and maintain the recommended rates, there will be a slight shift in funding among institutions and possibly also in overall appropriations.
2. While the overall headcount of enrolled employees remained level from the previous biennium, there was a shift from General Revenue funded employees towards non-General Revenue funded employees. Please see supplementary sheet for details on estimated enrollment headcounts.
3. While premium contributions for general state employees are funded at 100 percent of premium rates, since fiscal year 2004 the Legislature has provided a lower level of premium contributions for higher education employees.

For the 2010-2011 biennium, the state paid the following percentages of premium rates:

- 97.5% for state institutions of higher education insured within the Employees Retirement System (ERS) Group Benefits Program (GBP)
- 95.0% for state institutions of higher education within The University of Texas (UT) and Texas A&M University (TAMU) Systems
- 83.0% for community colleges insured within the ERS GBP

For the 2012-2013 biennium, the state paid the following percentages of premium rates:

- 85.8% for state institutions of higher education insured within the ERS GBP
- 83.4% for state institutions of higher education within the UT and TAMU Systems
- 42.1% for community colleges insured within the ERS GBP

Recommended amounts carry forward the 2012-2013 rate contribution levels. Using these rates as a baseline, LBB recommendations mirror the recommendations for ERS' general state employees by providing compounded rate increases of 7.36 percent in 2014 and 7.33 percent in 2015. Please see the supplementary sheet included herein comparing the rates used in these recommendations.

4. Certain institutions receive HEGI appropriations for individuals employed by the institutions, but associated with an external contract. This applies to the University of Texas Medical Branch at Galveston and Texas Tech Health Sciences Center for the correctional managed health care contracts with the Texas Department of Criminal Justice and/or the Texas Juvenile Justice Department, and for the University of Texas Health Science Center at Houston for its contract for the Harris County Psychiatric Center. Rider 6 specifies the amounts allocated for employees associated with these contracts within Strategy A.1.11 UT Medical – Galveston, Strategy C.1.23 Texas Tech Health Sciences Center, and Strategy A.1.12 UTHSC Houston.

Section 3

5. The University of Texas at Brownsville (UTB) and Texas Southmost College (TSC) are in the process of separating their operations to become stand alone institutions. Currently, almost all of the individuals are employed by UTB and are contracted to TSC as needed. In the past, HEGI has funded these contract employees at the community college rates, but provided the contributions to The University of Texas System on these employees' behalf, as they are members of The University of Texas System group insurance plan.

HEGI funding is allocated to institutions based on enrollment in the group insurance plan as of December 1, 2012. UTB has implemented a faculty reduction in force that will be effective as of May 31, 2013. A staff reduction in force may be undertaken at the end of fiscal year 2013. Due to the nature of the contract, it is assumed that TSC will increase its workforce. TSC, as a community college, belongs to the ERS GBP and new employees will be enrolled in the GBP. To provide HEGI appropriations based on actual workforce levels in fiscal years 2014-15, the LBB proposes to withhold HEGI contributions until the institutions submit new enrollment levels as of December 1, 2013, when a re-allocation between the two will be calculated.

- Rider 4 has been modified to HEGI's bill pattern to restrict the Comptroller of Public Accounts (CPA) from releasing funds on a monthly basis in Strategy A.1.6 UT Brownsville and Strategy C.1.31 Texas Southmost to University of Texas System and Employees Retirement System on each institutions behalf, respectively, until the reallocation is calculated.
- Rider 8 has been added to HEGI's bill pattern to make funding in Strategy A.1.6, UT - Brownsville and Strategy C.1.31, Texas Southmost contingent on the following:
 - UTB and TSC providing staff group insurance data elements as of December 1, 2013 to the LBB and the LBB recalculating the HEGI contributions for each institution based on enrollment at the time of this new census date.
 - LBB staff requesting approval from the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House, and Lieutenant Governor regarding the new distribution of these funds. The request is considered approved if not disapproved within fifteen days after the date that staff provides the recommendation.
 - Upon approval, the LBB directing the CPA to release the funding according to the new allocation to the two institutions.
- Rider 8 also maintains that if the new funding allocation is less than appropriations in the two strategies, the remainder will lapse to the credit of the General Revenue Fund. If the new funding allocation is more than appropriations in the two strategies, both institutions will have their amounts prorated so that it may not exceed available funding.

Section 3

83rd Legislature - Summary of Employee Head Counts

General Revenue Funded Headcount Totals (By System)									
	2000	2002	2004	2006	2008	2010	2012 est.	Diff.*	% Change
ERS	54,356	59,307	56,442	56,980	60,714	64,271	63,712	-559	-0.87%
UTS	34,229	34,048	33,034	32,255	34,296	35,325	31,773	-3,552	-10.06%
TAMUS	17,162	17,390	16,296	15,532	16,064	16,980	15,216	-1,764	-10.39%
TOTAL:	105,747	110,745	105,772	104,767	111,074	116,576	110,701	-5,875	-5.04%

* Difference is between 2012 & 2010 enrollment.

General Revenue Funded Headcount Totals (By Institution Type)										
	2000	2002	2004	2006	2008	2010	2012 est.	Diff.*	Percent	
JUCOs (Incl. Tx. Southmost)	29,541	32,666	30,716	32,574	34,355	38,331	38,334	3	0.01%	
General Academics	46,809	49,668	46,959	45,538	48,026	48,524	45,516	-3,008	-6.20%	
HRIs (Incl/ JJD/TDCJ)	22,732	21,413	21,303	20,154	21,921	22,991	20,309	-2,682	-11.67%	
TAMU Service Agencies	4,508	4,671	4,401	4,069	4,240	4,343	3,971	-372	-8.57%	
TSTC	1,591	1,726	1,725	1,564	1,608	1,546	1,544	-2	-0.13%	
Lamars, 2-Year	426	477	483	517	486	472	494	22	4.66%	
System Offices (Excl. TSTC)	135	119	181	351	438	369	533	164	44.44%	
	105,742	110,740	105,768	104,767	111,074	116,576	110,701	-5,875	-5.04%	

Percent Change from Prev. Biennium: N/A 4.73% -4.49% -0.95% 6.02% 4.95% -5.04%

* Difference is between 2012 & 2010 enrollment.

All-MOF Funded Headcount Totals (By System)									
	2000	2002	2004	2006	2008	2010	2012 est.	Diff.*	% Change
ERS	68,801	77,462	80,252	84,126	88,903	91,916	93,602	1,686	1.83%
UTS	77,699	81,940	83,987	95,181	102,084	106,112	107,971	1,859	1.75%
TAMUS	28,321	30,421	29,825	31,471	32,879	35,368	32,058	-3,310	-9.36%
TOTAL:	174,821	189,823	194,064	210,778	223,866	233,396	233,631	235	0.10%

* Difference is between 2012 & 2010 enrollment.

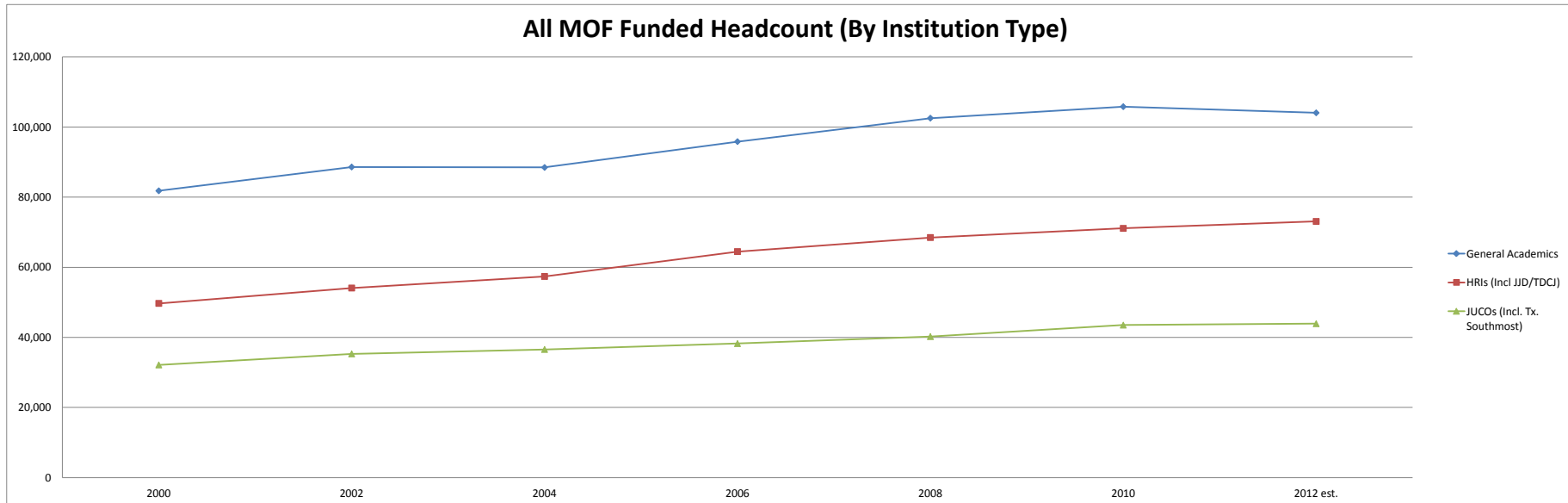
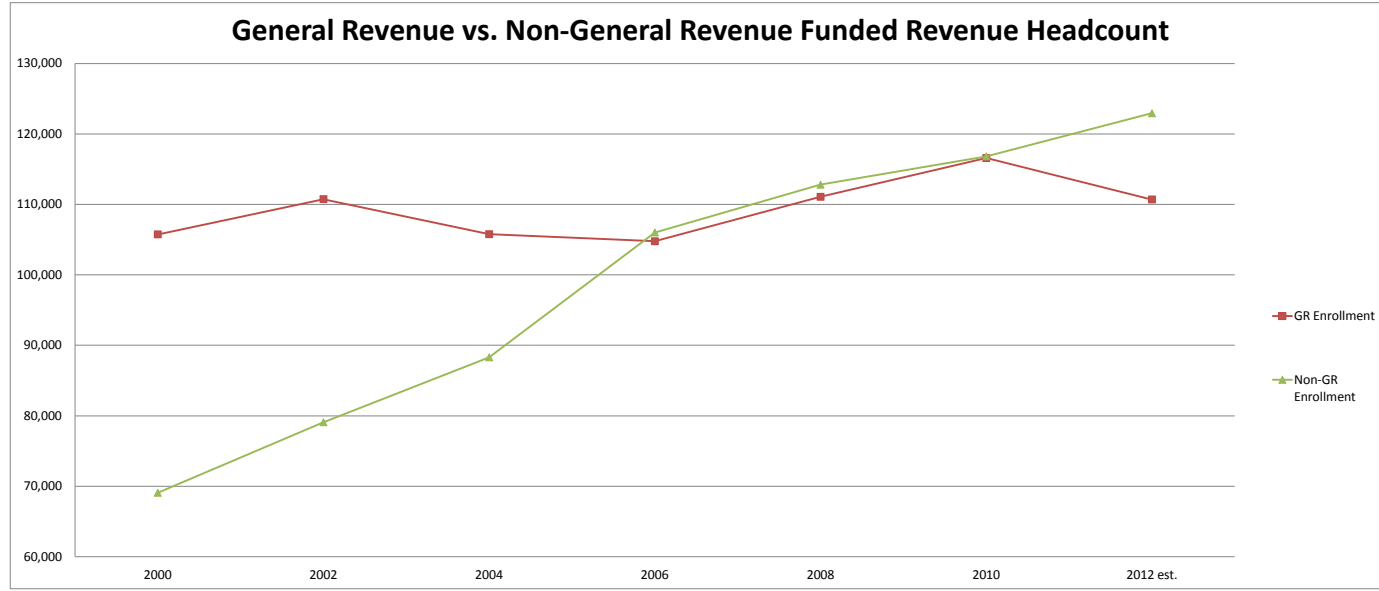
All-MOF Funded Headcount Totals (By Institution Type)										
	2000	2002	2004	2006	2008	2010	2012 est.	Diff.*	Percent	
JUCOs (Incl. Tx. Southmost)	32,153	35,305	36,573	38,242	40,240	43,503	43,918	415	1.0%	
General Academics	81,809	88,597	88,468	95,842	102,529	105,802	104,048	-1,754	-1.7%	
HRIs (Incl/ JJD/TDCJ)	49,702	54,079	57,384	64,479	68,479	71,094	73,074	1,980	2.8%	
TAMU Service Agencies	7,333	7,863	7,560	7,786	7,938	8,497	7,741	-756	-8.9%	
TSTC	1,948	2,215	2,156	2,107	2,168	2,176	2,232	56	2.6%	
Lamars, 2-Year	742	609	617	675	642	668	683	15	2.2%	
System Offices (Excl. TSTC)	1,129	1,150	1,302	1,647	1,870	1,656	1,935	279	16.8%	
	174,816	189,818	194,060	210,778	223,866	233,396	233,631	235	0.10%	

Percent Change from Prev. Biennium: N/A 8.58% 2.23% 8.61% 6.21% 4.26% 0.10%

* Difference is between 2012 & 2010 enrollment.

Source: Legislative Budget Board. Based on enrollment data elements submitted in each entity's 2012 Legislative Appropriations Request. Enrollment data will be updated in early January.

83rd Legislature - Summary of Employee Head Counts



Recommended Plan Year 2013 Premium Contribution Base Rates - 83rd Legislature*

HEGI Rates

		Employee Only	Employee & Child	Employee & Spouse	Employee & Family	Opt-Out (ERS) / Waiver (UT, A&M)
ERS - "FULL" RATES (100%)						
Full-time		\$ 470.38	\$ 650.62	\$ 739.58	\$ 919.82	\$ 60.00
Part-time		\$ 235.19	\$ 325.31	\$ 369.79	\$ 459.91	\$ 30.00
ERS HEGI - STATE INST.						
Full-time	85.8% of ERS Rates	\$ 403.59	\$ 558.23	\$ 634.56	\$ 789.21	\$ 51.48
Part-time		\$ 201.79	\$ 279.12	\$ 317.28	\$ 394.60	\$ 25.74
ERS HEGI - JUCOs						
Full-time	42.1% of ERS Rates	\$ 198.03	\$ 273.91	\$ 311.36	\$ 387.24	\$ 25.26
Part-time		\$ 99.01	\$ 136.96	\$ 155.68	\$ 193.62	\$ 12.63
UT SYSTEM						
Full-time	83.4% of ERS Rates	\$ 392.30	\$ 542.62	\$ 616.81	\$ 767.13	\$ 50.04
Part-time		\$ 196.15	\$ 271.31	\$ 308.40	\$ 383.56	\$ 25.02
A&M SYSTEM						
Full-time	83.4% of ERS Rates	\$ 392.30	\$ 542.62	\$ 616.81	\$ 767.13	\$ 50.04
Part-time		\$ 196.15	\$ 271.31	\$ 308.40	\$ 383.56	\$ 25.02

*2013 rates will be inflated by out year rate increases of 7.36% in 2014 and 7.33% in 2015

Higher Education Group Insurance (HEGI) Historical Rates

Historical System Proration of "Full" ERS Rates

System	78th Legislature 2004-05	79th Legislature 2006-07	80th Legislature 2008-09	81st Legislature 2010-11	82nd Legislature 2012-13
ERS - Institutions of Higher Education	87.5%	87.5%	97.5%	97.5%	85.8%
University of Texas (UT) System	87.5%	87.5%	95.0%	95.0%	83.4%
Texas A&M University (TAMU) System	87.5%	87.5%	95.0%	95.0%	83.4%
ERS - Community Colleges	87.5%	87.5%	90.0%	83.0%	42.1%

Until FY 2004, state premium contributions for HEGI roughly equaled the state premium contributions for general state employees and followed the appropriations decisions for the ERS Group Benefits Plan (GBP). However, starting in FY 2004, the state funded all higher education institutions at 87.5% of the "full" premium cost for general state employees. The state has since differentially funded each of the following HEGI appropriations: community colleges insured within ERS' GBP, state higher education institutions insured within ERS' GBP, components insured within The UT System, and components insured within the Texas A&M System.

Section 3

The University of Texas at Brownsville (UTB) and Texas Southmost College (TSC) Selected Policy Overview

Background: Since June 1991, Texas Southmost College (TSC) and The University of Texas at Brownsville (UTB) have partnered as one institution known as UTB-TSC. The partnership dedicated most of TSC's tax revenues and facilities to UTB-TSC and required UTB to provide academic and support services, including management of most faculty and staff. During 2010-2011, the two institutions agreed to end the partnership and the 82nd Legislature passed SB 1909, which directed both TSC and UTB to separate the partnership by August 31, 2015 unless required for accreditation. The current status of the separation is:

- The institutions have established a virtual enrollment beginning in summer of 2012. Virtual enrollment means that students self identify which institution they would like to attend.
- The institutions are targeting complete operational separation by fall of fiscal year 2014. Students will be enrolled at a specific institution based on the two separate schools offering different degree programs, enrollment standards and tuition rates, and having separate enrollment processes.
- Each institution must achieve separate accreditation by fall of 2015.

Issue #1: Formula Funding. The base period used for the Instruction and Operations (I&O) Formula for UTB and for the Instruction and Administration (I&A) Formula for TSC consists of semester credit hours (SCHs) and contact hours (CHs), respectively, for Summer 2012, Fall 2012, and Spring 2013. During the base period, the allocation for lower level undergraduate courses between the two institutions will be distributed based on the virtual enrollment. Both UTB and TSC agree that this allocation of SCHs and CHs might not accurately reflect what the actual enrollment of these students will be when institutions are separate.

- LBB Proposal: To ensure an accurate allocation of funding for lower level undergraduate hours in fiscal years 2014-15, the LBB proposes to trustee funding for the lower level undergraduate hours at the Coordinating Board to then be re-allocated to the two institutions after data is updated in fall of 2013.

Issue #2. Higher Education Group Insurance (HEGI) Funding. HEGI funding is allocated to institutions based on enrollment in the group insurance plan as of December 1, 2012. Currently, almost all of the employees at UTB-TSC work for UTB and are contracted to TSC as needed. UTB is implementing a reduction in force for fiscal year 2013 and it is possible that TSC will increase their workforce. In the past, HEGI has funded these contract employees at the JUCO rates, but provided the contributions to the University of Texas (UT) System on these employees' behalf for their enrollment in UT System's group insurance plan. TSC belongs to the Employees Retirement System (ERS) Group Benefits Program (GBP) and any new employees will be enrolled at ERS.

- LBB Proposal: To provide HEGI appropriations based on actual workforce levels in fiscal years 2014-15, LBB proposes to withhold HEGI contributions for the two institutions to UT System and ERS until institutions submit new enrollment levels as of December 1, 2013, when a re-allocation between the two will be calculated.

Informational: Benefits Issues for Employees Subject to a Reduction in Force. Employees that are part of UTB's reduction in force that are then rehired by TSC may face the below issues with their benefits. These issues can be remedied in statute for the affected employees.

- Retirement: Individuals enrolled in the Teachers Retirement System or Optional Retirement Program that remove their retirement contributions will be subject to a ninety-day delay if they are rehired by TSC.
- Insurance: Individuals who do not utilize COBRA or are not within the UT system group insurance plan at the time of rehire by TSC will be subject to a ninety-day delay in insurance coverage at ERS.
- Retiree Health Insurance: Employees are normally required to be enrolled in the same insurance plan for ten years to be eligible for employer contributions towards insurance premiums upon retirement. Some employees may be affected if they meet requirements for retirement, but do not have the full ten years of service at either UT System or under an ERS institution. However, affected employees with a combined ten years of service would be eligible for TRS-Care.

Section 4

**Higher Education Group Insurance Contributions
Performance Review and Policy Report Highlights**

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Will be included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

Higher Education Employee Group Insurance Contributions Rider Highlights

4. **Transfer Authority.** Amended Rider 4(a) and Rider 4(b) to restrict the Comptroller from releasing monthly funds associated with the contingent appropriations detailed in Rider 8 for The University of Texas at Brownsville and Texas Southmost College. Additional information can be found in Item #5 in Selected Fiscal and Policy Issues. Added Rider 4(c) to list the transfer authority for The University of Texas System Office and the Texas A&M System Office separately.

6. **Appropriation Transfers.** For consistency, separated Rider 6(c) into individual subsections for each institution receiving HEGI appropriations associated with correctional managed health care contracts with the Texas Department of Criminal Justice and the Texas Juvenile Justice Department, and associated with the operation of the Harris County Psychiatric Center.

8. **Contingent Appropriations, Higher Education Group Insurance Contributions.** Added Rider 8 to make appropriations for The University of Texas at Brownsville and Texas Southmost College contingent on the two institutions providing updated staff group insurance data elements to the LBB as of December 1, 2013. Additional information can be found in Item #5 in Selected Fiscal and Policy Issues.

Section 6

**Higher Education Employees Group Insurance Contributions
Items not Included in Recommendations**

1. Public Community/Junior Colleges - Increased Proration Rates

Funding requested by the Texas Association of Community Colleges on behalf of its members to increase the proration rate of state contributions to public community/junior colleges for employee group health insurance premiums to 60%. The proration rate for the previous biennium and these recommendations is 42.1%.

2. Texas A&M University System - Increased Proration Rates

Additional funding requested by the Texas A&M System and its institutions to restore some increment of the differential funding level between Texas A&M employees and state employees in the ERS group insurance plan.

Total, Items Not Included in the Recommendations

2014-15 Biennial Total	
GR & GR- Dedicated	All Funds
\$ 102,113,375	\$ 102,113,375
\$ -	\$ -
\$ 102,113,375	\$ 102,113,375