Section 1

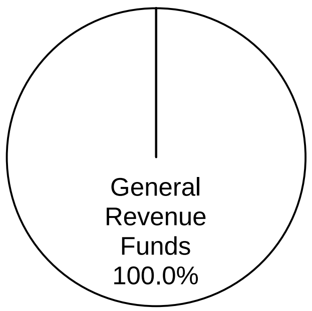
Higher Education Employees Group Insurance Contributions
Summary of Recommendations - House

Page: III-39

Emily Deardorff, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	$1,189,205,243	$1,375,254,536	$186,049,293	15.6%
GR Dedicated Funds	$0	$0	$0	0.0%
Total GR-Related Funds	*$1,189,205,243*	*$1,375,254,536*	*$186,049,293*	*15.6%*
Federal Funds	$0	$0	$0	0.0%
Other	$1,622,947	$0	($1,622,947)	(100.0%)
All Funds	**$1,190,828,190**	**$1,375,254,536**	**$184,426,346**	**15.5%**

RECOMMENDED FUNDING
BY METHOD OF FINANCING



	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs			0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

The General Revenue amounts recommended here represent 100 percent of the direct General Revenue state contributions appropriated to institutions of higher education for the purpose of paying group health insurance premiums. Institutions pay health care premiums proportionally from other fund sources to the degree they receive fund sources other than General Revenue. Any difference between actual premium costs and appropriated state contributions is paid by the institution.

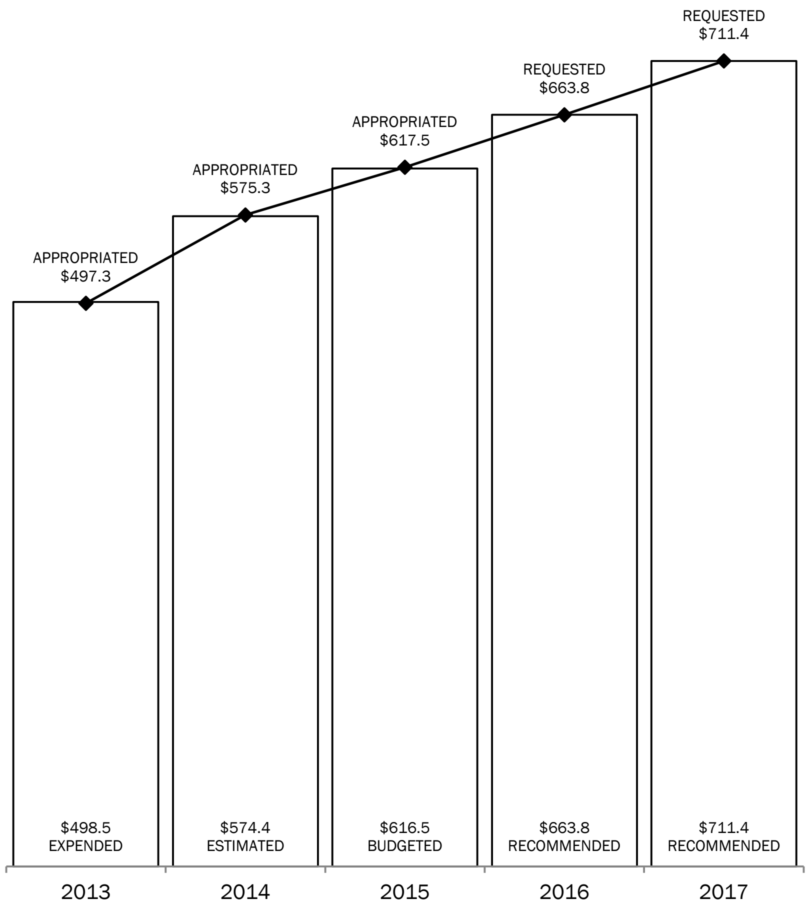
Section 1

Higher Education Employees Group Insurance Contributions

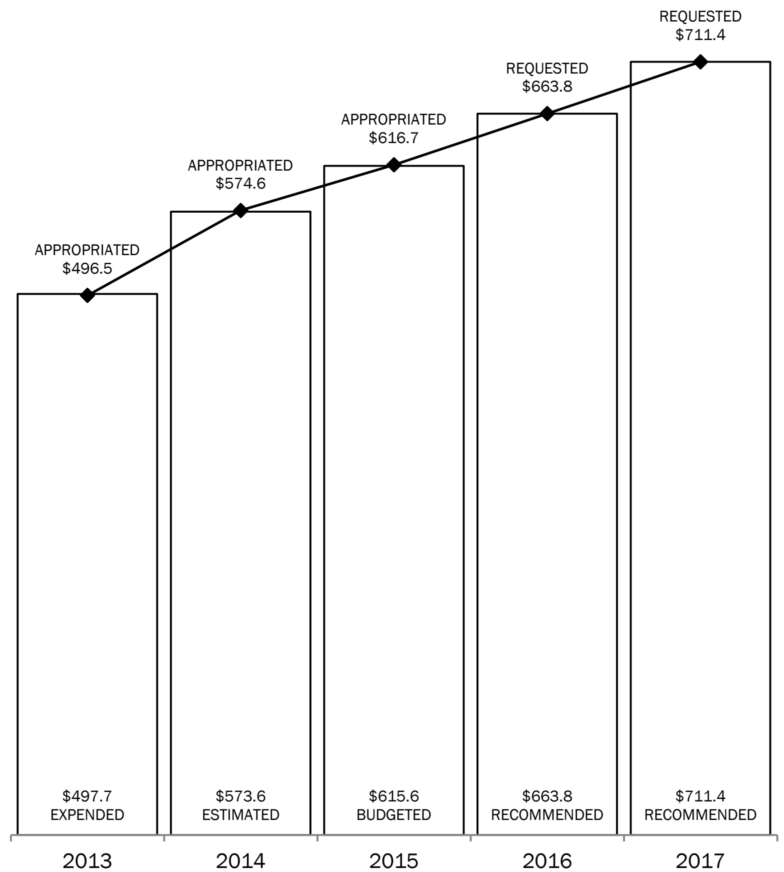
2016-2017 BIENNIUM — TOTAL= $1,375.3 MILLION

IN MILLIONS

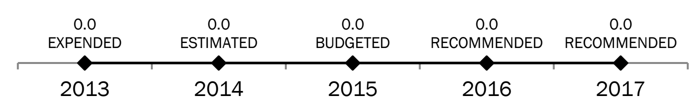
ALL FUNDS



GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

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

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
Total, Goal A, STATE CONTRIBUTION, UT SYSTEM	**$397,706,643**	**$471,651,920**	**$73,945,277**	**18.6%**	
Total, Goal B, STATE CONTRIBUTION, A&M SYSTEM	**$195,420,713**	**$227,857,796**	**$32,437,083**	**16.6%**	
Total, Goal C, STATE CONTRIBUTION, ERS	**$597,700,834**	**$675,744,820**	**$78,043,986**	**13.1%**	
Grand Total, All Strategies	**$1,190,828,190**	**$1,375,254,536**	**$184,426,346**	**15.5%**	

Contributions for The University of Texas System and Texas A&M University System are based on the same annual premium growth assumptions (cost growth of 7.19 percent in fiscal year 2016 and 7.17 percent in fiscal year 2017) used for the Employees Retirement System group benefits program recommendations.

All of the above Higher Education Employees Group Insurance (HEGI) contributions 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 and Insurance Department Fund 8042 ($2.3 million in fiscal year 2016; $2.5 million in fiscal year 2017). In House Bill 1 as Introduced, the Texas A&M Transportation Institute no longer receives appropriations from State Highway Fund 6 (see Selected Fiscal and Policy Issues #5).

Higher Education Employees Group Insurance Contributions
Selected Fiscal and Policy Issues - House

1. **HEGI Data Assumptions.** Recommendations are based on each institution's best estimate of actual enrollment as of December 1, 2014, and the institution's estimate of the General Revenue and General Revenue-Dedicated proportionality likely to be reported in the institution's fiscal year 2014 Accounting Policy Statement 011 (APS 011) report, as reported in each institution's respective Legislative Appropriations Request. Community colleges are not subject to proportionality requirements and therefore do not submit an APS 011 Report. Institutions will submit actual enrollment and proportionality submitted in the APS 011 report to the LBB by mid-February for the December 1, 2014, census date. Should the Legislature opt to use the updated census data and maintain the recommended rates, there will be a reallocation in funding among institutions and possibly also in overall appropriations.

2. **Premium Contribution Rates.** While premium contributions for general state employees are funded at 100 percent of Employee Retirement System (ERS) premium rates, since fiscal year 2004 the Legislature has provided a lower level of premium contributions for higher education employees.

   For the 2012-13 biennium, the state paid the following percentages of premium rates:
   - 85.8 percent for institutions of higher education insured within the ERS Group Benefits Program (GBP);
   - 83.4 percent for institutions of higher education within the University of Texas (UT) and Texas A&M University (TAMU) Systems; and
   - 42.1 percent for community colleges insured within the ERS GBP.

   For the 2014-15 biennium, the state paid the following percentages of premium rates:
   - 89.4 percent for institutions of higher education insured within the ERS GBP;
   - 87.0 percent for institutions of higher education within the UT and TAMU Systems; and
   - 50.0 percent for community colleges insured within the ERS GBP.

   Recommended amounts maintain the 2014-15 rate contribution levels. Using these rates as a baseline, the recommendations are consistent with the recommendations for ERS' general state employees by providing annual rate increases of 7.19 percent in fiscal year 2016 and 7.17 percent in fiscal year 2017. Senate Bill (SB) 1812, Eighty-third Legislature, set the state contribution rate for community colleges at 50 percent of the full contribution rate in statute, therefore this rate can only change through legislation. Please see Section 3c and 3d for a comparison of different proration rates and the resulting funding compared to the recommended 2016-17 biennium funding level as well as a comparison of HEGI expenditure amounts since the 2010-11 biennium.

3. **Employee Headcount Trends.** For institutions of higher education (excluding community colleges), the total number of employees increased by 3.6 percent from the previous biennium and the number of General Revenue funded employees increased by 2.7 percent from the previous biennium. For community colleges, the total number of employees increased by 5.8 percent and the number of Instructional and Administrative (I&A) employees increased by 4.3 percent. However, because of the growth limitations established in SB 1812, the number of I&A employees eligible to receive HEGI contributions decreased by 2.6 percent from the previous biennium. Sections 3e and 3f provide additional detail on employee headcount trends for reference.

4. **Contributions for Community Colleges.** SB 1812, Eighty-third Legislature, set the state contribution rate for HEGI contributions for community colleges at 50 percent of the cost associated with eligible I&A employees. SB 1812 also specifies that the number of employees eligible to receive HEGI contributions may not be adjusted in a proportion greater than the change in student enrollment at each institution. For community colleges that experience a decline in enrollment, they may petition the LBB to maintain eligible employees up to 98 percent of the employee level of the previous biennium.

   Recommendations are based on enrollment and headcount growth limitations provided in statute and do not consider any petition adjustments. For all community college districts, the growth limitations reduce the total number of employees eligible to receive HEGI contributions from 39,491 to 36,871 employees (approximately a 6.6 percent decrease). The reduction in eligible employees is greater than the 4.6 percent decline in contact hours because at some community colleges the number of eligible HEGI employees declined at a rate greater than enrollment.

   The following table provides a summary of the recommended eligible employees and resulting recommended appropriations for the 2016-17 biennium included in House Bill 1 as Introduced. For reference, the table also includes the number of eligible employees and resulting funding level if the maximum 98 percent hold harmless level was granted through the petition process.

Community College HEGI Contributions: Petition Option Comparison

	Total Eligible Employees	2016-17 Appropriation
Recommended: No Petition	36,871	$314,347,484
Maximum Petition Hold Harmless (98%)	37,758	$322,219,025
Difference:	887	$7,871,541

5. **Method of Finance Swap.** Recommendations replace HEGI appropriations to the Texas A&M Transportation Institute (TTI) funded with State Highway Fund 6 with General Revenue. This recommendation is consistent with the recommended method of finance swap for funding directly appropriated to TTI in the agency's bill pattern. HEGI Appropriations to TTI total $1.9 million for the 2016-17 biennium.

6. **Contributions for Correctional Managed Health Care (CMHC) Employees.** Certain institutions receive HEGI appropriations for individuals employed by institutions, but associated with an external contract. This applies to The University of Texas Medical Branch (UTMB) at Galveston and Texas Tech Health Sciences Center (TTHSC) for the CMHC contracts with the Texas Department of Criminal Justice (TDCJ) and/or the Texas Juvenile Justice Department (JJD), 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.1.10 UT Medical – Galveston, Strategy C.1.23 Texas Tech Health Sciences Center, and Strategy A.1.11 UTHSC Houston.

7. **Contributions for CMHC Retirees.** Recommendations include TDCJ and JJD retirees within the CMHC employee calculation for both UTMB and TTHSC. In previous biennia, TDCJ retirees from TTHSC were included in the TTHSC HEGI contribution calculation rather than the CHMC HEGI contribution calculation, causing those employees to be funded at the General Revenue proportionality rate for TTHSC instead of the CMHC contract. This recommended change makes the CMHC HEGI contribution calculation methodology consistent between TTHSC and UTMB. Compared to the previous calculation methodology, this recommendation results in $0.2 million in additional HEGI appropriations to TTHSC.

8. **Regional Academic Health Center Employees.** Employees reported for The University of Texas Health Science Center San Antonio (UTHSC-SA) include employees from the Regional Academic Health Center (RAHC) in the Rio Grande Valley. Recommendations include allowing UTHSC-SA to transfer HEGI appropriations to The University of Texas Rio Grande Valley (UTRGV) for the purpose of funding group insurance for employees of the UTRGV School of Medicine (see Rider Highlights #6). Please see Section 3b for a supplementary policy overview for additional information on the integration of Health Related Institutions and General Academic Institutions.

9. **Higher Education Benefits Reporting Issues.** During the interim, audit findings showed that the University of North Texas (UNT) had engaged in accounting practices that resulted in the institution receiving state-funded benefits for locally-funded employees. This included payments for group insurance, retirement, and social security. This discovery prompted Governor Perry to require all institutions of higher education to internally audit their benefits reporting practices and ensure all institutions were adhering to proportionality standards. The following summaries provide an overview of six institutions that have engaged in reporting practices that have resulted in the institutions receiving excess benefits payments. The degree to which these funds should be repaid to the state is a budget policy issue that is yet to be determined.

    - **University of North Texas.** Over the course of the interim, UNT officials discovered accounting irregularities regarding how the institution managed its state appropriations. The institution's practice was to use General Revenue to pay employee salary and benefits and then reimburse their account with local funds as needed for locally funded employees. However, while the institution reimbursed the salary amounts for the locally funded employees, they did not reimburse the corresponding benefit expenses for those salaries, resulting in the institution drawing down General Revenue benefits for non-state funded employees. This practice violates the proportionality requirement provided in Article IX, Sec. 6.08, 2014-15 General Appropriations Act, which requires that employee benefits must be paid from the same source of funds as the salaries associated with those benefits.

      In addition, UNT incorrectly reported employees in Schedule 3A, Staff Group Insurance Data Elements, in their previous Legislative Appropriations Requests. The data provided by this schedule is used to calculate each institution's HEGI and Staff Group Insurance (SGI) appropriations. As a result of their accounting practices, UNT was incorrectly categorizing employees as Educational and General Funds (E&G) employees, resulting in additional HEGI and SGI appropriations to the institution. For the 2016-17 biennium, the institution corrected the reporting practice. As a result, recommended HEGI appropriations for UNT total $30.3 million for the 2016-17 biennium, a decrease of $11.2 million from HEGI appropriated amounts for the 2014-15 biennium.

      UNT hired Deloitte to perform an independent audit of the institution's financial management practices and the State Auditor's Office (SAO) also conducted an audit. Both audits found evidence of the reporting practice being in place since at least fiscal year 2004. According to the SAO report, UNT received an estimated $75.6 million in excess state funding since 2004. SAO recommends that the Eighty-fourth Legislature require UNT to reimburse at least $75.6 million to the General Revenue Fund over the next 10 years. To date, UNT has submitted a remittance payment of $4.7 million to CPA to reimburse the state for the overpayments received in fiscal year 2012.

- **The University of Texas at Dallas.** In September 2014, LBB was notified that due to a programming mapping error in PeopleSoft, UT Dallas had incorrectly reported some local-funded benefits as state-funded benefits in their Accounting Policy Statement (APS) 011 report in fiscal years 2011 through 2013. This caused the actual state-funded benefits they included in their APS 011 reports to be overstated resulting in UT Dallas receiving excess benefit funds from the state totaling approximately $4.0 million from fiscal year 2011 to fiscal year 2014. UT Dallas worked with the CPA to correct the problem and submitted a remittance payment of $3.1 million to CPA to reimburse the state for the overpayments received in fiscal year 2012 and fiscal year 2013. Because fiscal year 2011 was closed, CPA determined that they would not allow UT Dallas to make any adjustments in USAS for fiscal year 2011.

- **Texas State System Office.** In October 2014, LBB was notified that the Texas State System Office had been incorrectly categorizing some of their employees as E&G employees, resulting in the System Office receiving excess benefits funding from the state totaling approximately $0.8 million from fiscal year 2011 to fiscal year 2014. The System Office has been working with CPA to fix the problem and submitted a remittance payment of $0.4 million to reimburse the state for the overpayments received in fiscal year 2013 and fiscal year 2014. Similar to UT Dallas, CPA determined that they would not allow the System Office to make any adjustments in USAS for fiscal years 2011 and 2012 because those fiscal years were already closed. While the problem may have existed in prior fiscal years, the scope of the internal audit only went back to fiscal year 2011 so the level of prior overpayments is unknown.

- **University of Houston System.** During Strategic Fiscal Review of the system offices, LBB found that the University of Houston (UH) System was incorrectly categorizing some locally funded employees as E&G employees in the group insurance data submitted for HEGI calculations. UH System provided updated HEGI data which resulted in a decrease of $0.6 million in HEGI appropriations for the 2016-17 biennium compared to the calculations based on the original data elements submitted in the institution's 2016-17 biennium Legislative Appropriations Request.

- **Stephen F. Austin State University.** In January 2015, LBB was notified that Stephen F. Austin State University (SFA) was reporting their benefits proportionality based on job function rather than method of finance. This resulted in SFA drawing down excess benefits funding from the state totaling approximately $6.7 million from fiscal year 2012 to fiscal year 2014. SFA is currently working with CPA to resolve the issue. While the problem may have existed in prior fiscal years, the scope of CPA's investigation only went back to fiscal year 2012 so the level of prior overpayment is unknown.

- **The University of Texas at Arlington.** In January 2015, LBB was notified that in fiscal year 2011, The University of Texas at Arlington (UTA) also reimbursed salaries and wages previously paid with state funds with institutional funds but did not reimburse the related benefit costs associated with those salaries and wages. This resulted in UTA receiving excess benefits funding from the state totaling approximately $0.7 million fiscal year 2011. Similar to other institutions, CPA has determined they would not allow UTA to make any adjustments in USAS for fiscal year 2011 because the fiscal year is closed.

Integration of Health Related Institutions (HRI) and General Academic Institutions (GAI)
Selected Policy Overview - House

Background. Prior to the Eighty-third Legislative Session, all public medical schools in Texas were located at health related institutions (HRI) and were not directly associated with a general academic institution (GAI). During the current biennium, several institutions have realized an integration of medical schools within a GAI:

- **Texas A&M University Health Sciences Center (TAMUHSC) and Texas A&M University (TAMU):** On July 15, 2013, TAMUHSC completed its realignment under TAMU as an academic unit within the university after previously operating as separate entities since TAMUHSC's creation in 1976. Below is a brief summary of how the two institutions have aligned individual functions:
    - Budget Structure: TAMU and TAMUHSC each maintain a separate bill pattern, agency code, and participate in formula funding and legislative discussions as a GAI and HRI, respectively.
    - Formula Funding: TAMU and TAMUHSC each receive formula funding through the GAI and HRI formulas, respectively. When beginning a new program, the institution chooses whether it will be done through TAMU and TAMUHSC and thus, receive the corresponding formula funding.
    - Research Considerations: TAMU and TAMUHSC each maintain separate accounting of research expenditures based on the principal investigator. The research expenditures are reported to the state under the separate entities. TAMU does not receive any allocation of funds from research funds designated for GAIs for research generated through TAMUHSC and vice versa.
- **The University of Texas Rio Grande Valley (UTRGV) School of Medicine**: Senate Bill (SB) 24, Eighty-third Legislative Session, established UTRGV as a GAI comprised of components including a medical school and the Lower Rio Grande Valley Academic Health Center authorized by Texas Education Code Section 74, Subchapter N and Subchapter L, respectively. The Lower Rio Grande Valley Academic Health Center is currently managed by The University of Texas Health Science Center at San Antonio (UTHSC-SA). The center is referred to as the Regional Academic Health Center (RAHC) and UTHSC-SA received $30.6 million for this special item during the 2014-15 biennium. Of this funding, $10.0 million over the biennium was contingency funding provided to UTHSC-SA to implement the provisions of SB24, Eighty-third Legislature, UTRGV's enabling statute. The RAHC is intended to provide the basis of UTRGV School of Medicine. The UTRGV School of Medicine is scheduled to open in fall 2016. UTHSC-SA will continue to matriculate students through the RAHC until 2020.
- **The University of Texas (UT) at Austin Dell Medical School:** UT Austin notified the Higher Education Coordinating Board (THECB) of the establishment of a new medical program in February 2013. UT Austin did not receive direct appropriations for the Dell Medical School during the 2014-15 biennium and the school is scheduled to open in fall 2016.

Items for Consideration and Items Included in Recommendations for the 2016-17 Biennium

Issue #1. Budget Structure. The introduced bill includes funding for a medical school in a separate bill pattern from its affiliated GAI for UTRGV and UTRGV School of Medicine. This methodology is consistent with the structure of TAMU and TAMUHSC.

Included in Recommendations: Appropriations for the UTRGV School of Medicine are provided in a new bill pattern and include $15.7 million each year of the 2016-17 biennium reallocated from funding provided to UTHSC-SA during the 2014-15 biennium for the RAHC and Family Practice Residency Training Program. Authority is also provided to allow UTRGV School of Medicine, UTRGV, and UTHSC-SA to transfer funding between the institutions relating to the establishment, operation, and administration of the RAHC and School of Medicine. UTRGV and UTRGV School of Medicine are provided authority to enter into an agreement for UTRGV to provide administrative services to the UTRGV School of Medicine until the school becomes fully operational. Currently, there are no recommendations for appropriations related to UT Austin Dell Medical School for the 2016-17 biennium.

Issue #2: Formula Funding. HRIs and GAIs both receive formula funding through separate allocations for instruction and operations and infrastructure.

Included in Recommendations: None. UTRGV School of Medicine and UT Austin will not have any medical students during the base period of formula funding for the 2016-17 biennium and will not receive an allocation for these formulas. There would not be a fiscal implication until the 2018-19 biennium.

Issue #3. Higher Education Employees Group Insurance (HEGI). UT Austin and UTRGV receive appropriations through the HEGI bill pattern based on employees at the institution as of Dec. 1, 2014. Employees associated with the Dell Medical School are included in the UT Austin HEGI appropriation. Employees of the RAHC are currently funded within the UTHSC-SA appropriation for HEGI.

Included in Recommendations: Recommendations include a rider allowing the transfer of funding between UTHSC-SA, UTRGV, and UTRGV School of Medicine to fund group insurance costs for employees of the UTRGV School of Medicine at the discretion of the chief administrative officer of The UT System.

Issue #4. Research Considerations. There are four research funds that provide funding to support research at GAIs.

- Research Funds: The Available National Research University Fund (NRUF) and the Texas Research Incentive Program (TRIP) are research funds established for institutions designated as emerging research universities by the THECB Accountability System and meeting certain criteria specified in the Constitution and statute, respectively. The Comprehensive Research Fund (CRF) provides appropriations to general academic institutions, except UT Austin, TAMU, and emerging research universities. The Texas Research University Fund (TRUF) provides appropriations to UT Austin and TAMU. UTRGV is not expected to be classified as an emerging research university during the upcoming 2016-17 biennium.
    - LBB Considerations for TRUF and CRF: The legislature appropriates TRUF and CRF directly to institutions based on research expenditures at each institution. In future biennia, the Legislature can choose whether to include research funds generated by medical schools in the distribution calculation for either fund.
    - LBB Considerations for NRUF and TRIP: A change in statute would be required to prohibit UTRGV from using research funding generated by the associated medical school to reach emerging research university status and/or to receive appropriations from NRUF or TRIP once that status and other criteria is attained. UT Austin is not eligible for either of these funds and would not be impacted by Dell Medical School.
- Research Enhancement Formula: The HRIs receive funding through the research enhancement formula based on research expenditures in the most recent fiscal year. There is no research generated by the UTRGV School of Medicine or Dell Medical School in the base period for the 2016-17 biennium.

Included in Recommendations: In preparation for the 2018-19 biennium, recommendations include a reporting requirement for UT Austin, UTRGV, and UTRGV School of Medicine to provide the LBB and the Governor's Office with information on research expenditures at the medical school during the 2016-17 biennium.

Issue #5. Benefits. Both UT Austin and UTRGV receive benefit appropriations through the Teachers Retirement System (TRS), Optional Retirement Program (ORP), and social security. TRS, ORP, and social security are estimated appropriations and are based on actual benefit expenditures. UTRGV School of Medicine will also participate in these benefit programs during the 2016-17 biennium.

Included in Recommendations: In preparation for the 2018-19 biennium, recommendations include a reporting requirement for UT Austin, UTRGV, and UTRGV School of Medicine to provide the LBB and the Governor's Office with information on benefit expenditures at the medical school during the 2016-17 biennium.

Summary of Recommendations and Potential Funding Options for HEGI Contributions to Institutions of Higher Education

2016-17 Recommendations included in House Bill 1 as Introduced (2014-15 Levels)

	2016	2017	Biennium
UT (87.0%)	$ 227,664,198	$ 243,987,722	$ 471,651,920
TAMU (87.0%)	$ 109,985,904	$ 117,871,892	$ 227,857,796
ERS - IHE (89.4%)	$ 174,448,025	$ 186,949,311	$ 361,397,336
Community Colleges (50%)	$ 151,740,197	$ 162,607,287	$ 314,347,484
Total	**$ 663,838,324**	**$ 711,416,212**	**$ 1,375,254,536**

Estimated Cost to Fund All Institutions at "Full" ERS Premium Rate

	2016	2017	Biennium	Increase/(Decrease) from Recommendations
UT (100%)	$ 261,649,906	$ 280,410,199	$ 542,060,105	$ 70,408,185
TAMU (100%)	$ 126,404,589	$ 135,467,803	$ 261,872,392	$ 34,014,596
ERS - IHE (100%)	$ 195,134,138	$ 209,118,616	$ 404,252,754	$ 42,855,418
Total	**$ 583,188,633**	**$ 624,996,618**	**$ 1,208,185,251**	**$ 147,278,199**

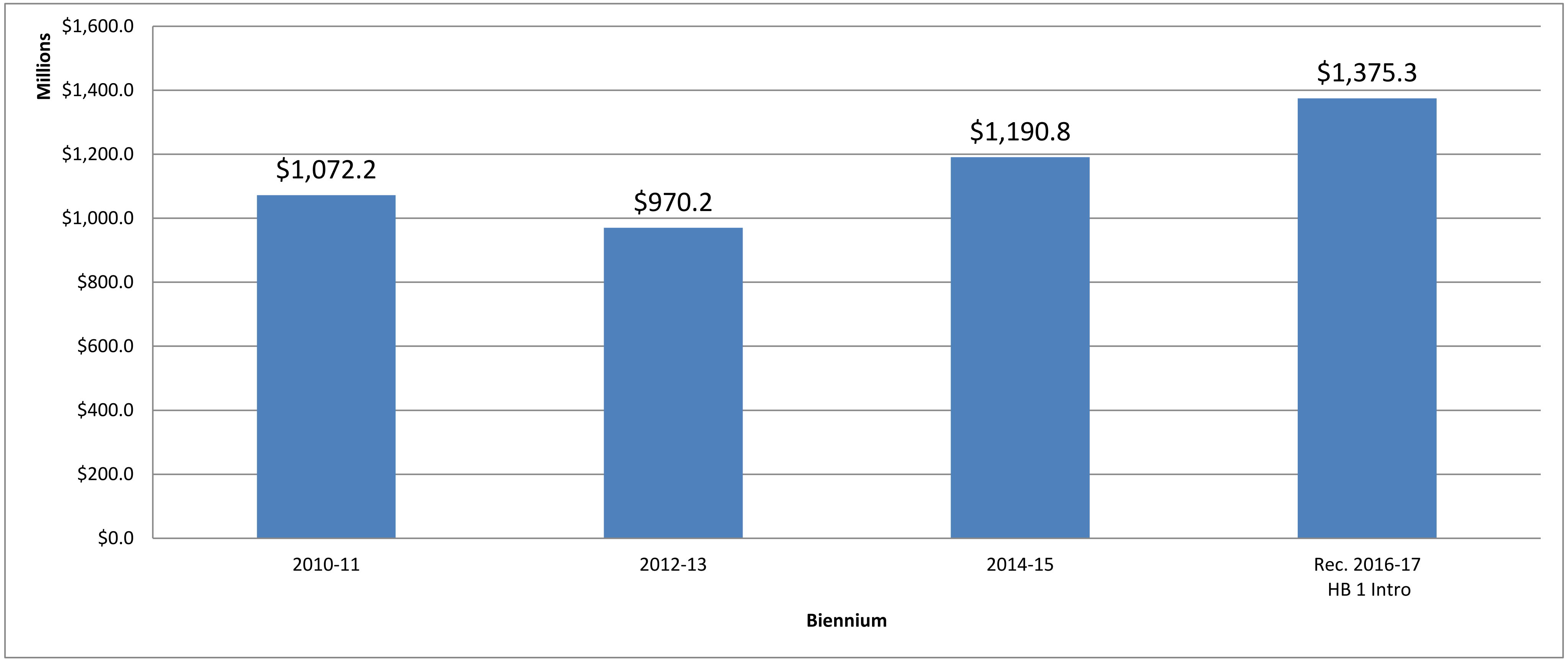
Estimated Cost to Fund UT and TAMU Institutions at 2016-17 ERS Recommended Proration Rates

	2016	2017	Biennium	Increase/(Decrease) from Recommendations
UT (89.4%)	$ 233,899,316	$ 250,669,893	$ 484,569,209	$ 12,917,289
TAMU (89.4%)	$ 112,998,125	$ 121,100,088	$ 234,098,213	$ 6,240,417
Total	**$ 346,897,441**	**$ 371,769,981**	**$ 718,667,422**	**$ 19,157,706**

Note: Because the state contribution for community colleges is now set in statute, community college funding was not included in the potential funding options since the proration rate is fixed.

Section 3d

History of HEGI All Funds Expended/Budgeted and Appropriated Amounts by Biennium (in millions)



	2010-11	2012-13	2014-15	2016-17 HB 1 Intro
HEGI (in millions)	$ 1,072.2	$ 970.2	$ 1,190.8	$ 1,375.3
Precent Change from Previous Biennium	N/A	-9.5%	22.7%	15.5%

Section 3e

Summary of Employee Headcount for Institutions of Higher Education (excluding community colleges)

General Revenue Funded Employee Headcount Totals (By Insuring System)

	2006	2008	2010	2012	2014 est.	Diff.*	% Change
ERS (excluding community colleges)	24,406	26,359	25,940	25,082	25,479	397	1.58%
UT System Institutions	32,255	34,296	35,325	31,503	32,918	1,415	4.49%
TAMU System Institutions	15,532	16,064	16,980	15,219	15,339	120	0.79%
TOTAL:	72,193	76,719	78,245	71,804	73,736	1,932	2.69%

General Revenue Funded Employee Headcount Totals (by Institution Type)

	2006	2008	2010	2012	2014 est.	Diff.*	% Change
General Academic Institutions**	45,538	48,026	48,524	44,634	44,496	(138)	-0.31%
Health Related Institutions	20,154	21,921	22,991	20,656	22,726	2,070	10.02%
Lamar Two-Year	517	486	472	468	493	25	5.34%
TSTCs	1,047	1,066	1,001	938	956	18	1.92%
TAMU System Agencies	4,069	4,240	4,343	4,050	3,972	(78)	-1.93%
System Offices (Excluding TSTC)	868	980	914	1,058	1,093	35	3.31%
TOTAL:	72,193	76,719	78,245	71,804	73,736	1,932	2.69%
Percent Change from Previous Biennium	NA	6.27%	1.99%	-8.23%	2.69%		

All E&G and Local Non-E&G Funded Employee Headcount Totals (By Insuring System)

	2006	2008	2010	2012	2014 est.	Diff.*	% Change
ERS (excluding community colleges)	45,884	48,663	48,413	50,712	52,934	2,222	4.38%
UT System Institutions	95,181	102,084	106,112	108,504	114,070	5,566	5.13%
TAMU System Institutions	31,471	32,879	35,368	34,034	33,228	(806)	-2.37%
TOTAL:	172,536	183,626	189,893	193,250	200,232	6,982	3.61%

All E&G and Local Non-E&G Funded Employee Headcount Totals (by Institution Type)

	2006	2008	2010	2012	2014 est.	Diff.*	% Change
General Academic Institutions	95,842	102,529	105,802	106,457	109,175	2,718	2.55%
Health Related Institutions	64,479	68,479	71,094	73,939	78,430	4,491	6.07%
Lamar Two-Year	675	642	668	637	667	30	4.71%
TSTCs	1,477	1,497	1,493	1,416	1,457	41	2.90%
TAMU System Agencies	7,786	7,938	8,497	8,135	7,711	(424)	-5.21%
System Offices (Excluding TSTC)	2,277	2,541	2,339	2,666	2,792	126	4.73%
TOTAL:	172,536	183,626	189,893	193,250	200,232	6,982	3.61%
Percent Change from Previous Biennium	NA	6.43%	3.41%	1.77%	3.61%		

* Difference and percent change calculated between 2014 and 2012 employee headcount

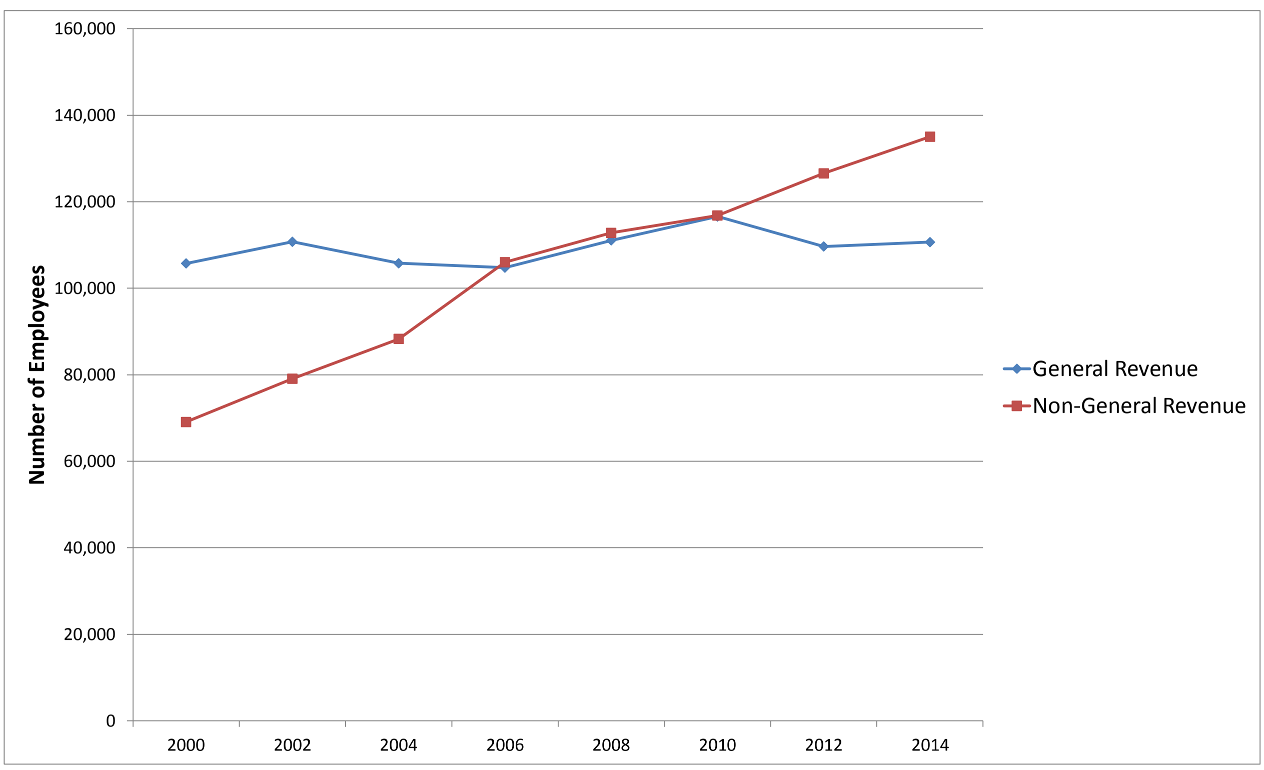
**The decline in General Revenue funded employees for the General Academic Institutions is primarily due to the decline of E&G employees reported at UNT due to the institution correcting their previous practice of incorrectly categorizing E&G employees (see Selected Fiscal and Policy Issues #9). This resulted in a decline of 978 General Revenue funded employees from 2012 to 2014.

Summary of Employee Headcount and Growth Limitations for Community Colleges

Community College Employees							
	2006	2008	2010	2012	2014 est.	Diff. from 2012 to 2014	% Change
General Revenue I&A (prior to growth limitations)	32,574	34,355	38,311	37,855	39,491	1,636	4.32%
General Revenue I&A (after growth limitations)	N/A	N/A	N/A	N/A	36,871	(984)	-2.60%
All I&A and Non-I&A Employees	38,242	40,240	43,502	42,961	45,443	2,482	5.78%

*For General Revenue I&A (after growth limitations), difference and percent change show change from 2012 to 2014 after growth limitations

Comparison: General Revenue versus Non-General Revenue Funded Employees for Institutions of Higher Education



Higher Education Employees 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	83rd Legislature 2014-15
ERS - Institutions of Higher Education	87.5%	87.5%	97.5%	97.5%	85.8%	89.4%
University of Texas (UT) System	87.5%	87.5%	95.0%	95.0%	83.4%	87.0%
Texas A&M University (TAMU) System	87.5%	87.5%	95.0%	95.0%	83.4%	87.0%
ERS - Community Colleges	87.5%	87.5%	90.0%	83.0%	42.1%	50.0%

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 Legislature funded all higher education institutions at 87.5% of the "full" premium cost for general state employees. The Legislature 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. With the passage of SB 1812, 83rd Legislature, the state contribution for community college is now set in statute at 50 percent of full premium contributions.

Recommended Plan Year 2015 Premium Contribution Base Rates - 84th Legislature*

HEGI Rates

		Employee Only	Employee & Child	Employee & Spouse	Employee & Family
ERS - "FULL" RATES (100%)					
Full-time		$ 537.66	$ 743.80	$ 845.54	$ 1,051.68
Part-time		$ 268.83	$ 371.90	$ 422.77	$ 525.84
ERS HEGI - HIGHER EDUCATION INSTITUTIONS					
Full-time	89.4% of ERS Rates	$ 480.64	$ 664.91	$ 755.86	$ 940.14
Part-time		$ 240.32	$ 332.46	$ 377.93	$ 470.07
ERS HEGI - COMMUNITY COLLEGES					
Full-time	50.0% of ERS Rates	$ 268.83	$ 371.90	$ 422.77	$ 525.84
Part-time		$ 134.42	$ 185.95	$ 211.39	$ 262.92
UT SYSTEM					
Full-time	87.0% of ERS Rates	$ 467.82	$ 647.19	$ 735.71	$ 915.08
Part-time		$ 233.91	$ 323.59	$ 367.86	$ 457.54
A&M SYSTEM					
Full-time	87.0% of ERS Rates	$ 467.82	$ 647.19	$ 735.71	$ 915.08
Part-time		$ 233.91	$ 323.59	$ 367.86	$ 457.54

*2015 rates will be inflated by out year rate increases of 7.19% in fiscal year 2016 and 7.17% in fiscal year 2017

Higher Education Group Insurance Contributions
Performance Review and Policy Report Highlights - House

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session

NO RELATED RECOMMENDATIONS

Higher Education Employees Group Insurance Contributions
Rider Highlights - House

Amended Riders:

4. **Transfer Authority.** Recommendations amend rider to no longer include exemptions to Texas Southmost College (TSC) and The University of Texas at Brownsville (UTB). The two institutions are no longer partners and the HEGI appropriations will be transferred to the Employees Retirement System's Group Benefits Program and to The University of Texas System Office, respectively, as stipulated in the rider.

6. **Appropriations Transfers.** Recommendations amend the rider to allow UTHSC-SA to transfer appropriations to UT RGV or UTRGV School of Medicine for the purpose of funding group insurance for employees of the UTRGV School of Medicine (see Integration of Health Related Institutions (HRI) and General Academic Institutions (GAI) Selected Policy Overview).

Deleted Riders:

8. **(previous) Contingent Appropriations, Higher Education Group Insurance Contributions.** Recommendations delete this rider. TSC and UTB are no longer partners, therefore the contingent appropriations are no longer necessary.

9. **Higher Education Group Insurance rates for Public Community/Junior Colleges.** Recommendations delete this rider. Senate Bill 1812, Eighty-third Legislature, set the state contribution rate for group insurance at 50 percent of ERS premium costs.

Section 6

Higher Education Employees Group Insurance Contributions
Items not Included in Recommendations - House

	2016-17 Biennial Total	
	GR & GR-Dedicated	**All Funds**
1. Texas A&M University System - Increased Proration Rates Additional funding requested by the Texas A&M University System in the administrator's statement of their Legislative Appropriations Request to restore some increment of the differential funding level between Texas A&M System employees and state employees in the ERS group insurance plan. Funding Texas A&M System institutions at the same proration rate for institutions of higher education in the ERS group insurance plan would require an additional $6.2 million in General Revenue over recommended funding levels.	$ -	$ -
2. Texas Tech University System - Increased Proration Rates Additional funding requested by the Texas Tech University System in the administrator's statement of their Legislative Appropriations Request to increase the state's share of group insurance premium costs. Funding all institutions of higher education (excluding community colleges) at the full ERS premium rate would require an additional $147.3 million in General Revenue over recommended funding levels.	$ -	$ -
Total, Items Not Included in the Recommendations	**$ -**	**$ -**