

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 338** SLS 08RS 505
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 28, 2008	5:47 PM	Author: NEVERS
Dept./Agy.: Education		Analyst: Mary Kathryn Drago
Subject: Health insurance for certain employees		

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Provides for group health insurance coverage for certain employees of the Recovery School District and Type 5 charter schools. (gov siq)

The proposed legislation would allow employees of the Recovery School District (RSD) that are considered to be on leave from their prior school system, and Type 5 charter school employees that were an employee of a local school board prior to being employed by the charter school to obtain continuous enrollment in the health insurance program offered by their prior system. If the employee chooses to obtain continuous enrollment through their previous employer and retire while working for the RSD or a Type 5 charter school, the costs will be proportionately split between the previous employer and the RSD or Type 5 charter school by the percentage of years worked in each system.

EXPENDITURES	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The Recovery School District (RSD) receives state, local, and federal per pupil funding amounts through interagency transfer. The RSD and Type 5 charters will use the funds appropriated to them to pay health care benefits for their employees whether the employee chooses to enroll in the prior system's health plan or enroll in what is provided through the RSD or charter school. The actual effect on expenditures within the Recovery School District and Type 5 charter schools is indeterminable. The cost of the employer portion of health insurance benefits varies from the Office of Group Benefits, and self-insured systems, or a private provider. Therefore, the RSD or Type 5 charter school will be responsible for paying different amounts for employees on leave of absence from the prior system depending on how the employee is insured. The expenditures of a local school system may decrease if an employee retires while on leave from the system, and the RSD or Type 5 charter school pays a percentage of the premiums.

The legislation requires the Department of Education (DOE) to disperse the payments for the Type 5 charter schools to the local school board. In the case when the provider is a state-provider such as Office of Group Benefits, the actual costs paid will be pursuant to an agreement between the DOE and Office of Group Benefits. The DOE anticipates an annual cost of approximately \$250,000 to hire 4 employees and for equipment costs. However, the Legislative Fiscal Office believes the costs would be less, but would depend on the number of employees that have payments dispersed through DOE, and any required agreements to be made with the Office of Group Benefits.

The RSD and Type 5 charters will be responsible for paying a proportionate share of the costs of health insurance for employees that retire while they are employed by the RSD or Type 5 charter and choose to participate in the prior system's health plan. The cost to the RSD and Type 5 charter schools is indeterminable, and depends on the number of employees retiring, their insurance coverage, the number of years employed by each system, and total years of service. For illustrative purposes, if an employee retires after working 30 years with 3 years in the RSD or Type 5 charter school, and the health insurance premium paid by the employer is \$16,000 per year, the RSD or charter will pay \$1,600. It is unclear who is responsible for the payments of the premiums for retirees if an employee retires from an RSD school or Type 5 charter school, and the schools are eventually returned to the prior system.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate
 13.5.1 >= \$500,000 Annual Fiscal Cost

Dual Referral Rules

13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer