

FISCAL NOTE

HB 840 - SB 1167

February 24, 2005

SUMMARY OF BILL: Requires a contribution by state government, based on years of service, for school teachers' (and their dependents') health insurance coverage and for retired school teachers' Medicare supplemental coverage. Amounts to be paid range from 45% of premium for employees with less than five years of service up to 80% of premium for employees with 33 or more years of service.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$47,000,000

Increase Local Govt. Expenditures – Exceeds \$4,200,000*

Assumptions:

- The state pays 45% of the total average premium for teacher's health insurance through the Basic Education Program. The current General Appropriations Act requires local education agencies to pay a 45% share.
- 60,792 state-funded positions and 6,830 locally-funded positions.
- Average premium is estimated at \$7,175 per year per employee.
- Current state cost for providing teachers' health insurance is approximately \$196.3 million.
- Current local government cost for providing teachers' health insurance is approximately \$22.0 million.
- Current state cost for providing Medicare supplement to retired teachers is approximately \$4.8 million.
- Division of Insurance Administration prepared estimates for proposed premium-sharing plan and the proposed Medicare supplement plan.
- Estimated increase in state expenditures from the proposed premium-sharing plan is approximately \$38.0 million per year.
- Estimated increase in local government expenditures from the proposed premium-sharing plan is approximately \$4.3 million per year.
- Current state contribution for retired teacher's Medicare supplement is an amount determined in the General Appropriations Act based on years of service.
- Estimated increase in state expenditures from proposed Medicare supplemental plan is approximately \$9.6 million.

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*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director