

FISCAL NOTE

SB 1424 - HB 1434

March 13, 2007

SUMMARY OF BILL: Requires the state to provide reimbursement to local education agencies for insurance premiums of retired teachers who are not eligible for Medicare and who, during their employment, were covered by the local education agency's health insurance program, instead of the state's basic insurance plan.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$11,864,000 – FY07-08

Other Fiscal Impact – The increase to state expenditures estimated for this bill is expected to increase each year by the rate with which insurance premiums increase each year. Assuming 8% annual growth as suggested by the Division of Insurance, state expenditures would increase by approximately \$12,813,000 for FY08-09.

Assumptions:

- According to the Division of Insurance (DOI) within the Department of Finance and Administration, approximately 4,063 retired teachers would qualify for the reimbursements proposed in this bill.
- According to DOI, any additional costs reflect the extent to which plan benefits for additional retirees would exceed plan revenues. The DOI estimates the additional cost to the state to be approximately \$2,920 per retired teacher for FY07-08.
- The recurring increase to state expenditures is estimated to be \$11,864,000 for FY07-08 (4,063 teachers X \$2,920 = \$11,863,960).
- The DOI estimates insurance premiums grow approximately 8% per year.

CERTIFICATION:

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



James W. White, Executive Director