SUBJECT: Paying for junior college employee group health insurance benefits

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 22 ayes — Pitts, Raymond, Aycock, F. Brown, Chavez, Cohen, Creighton, Darby, Driver, Edwards, Eiland, Flores, Giddings, Herrero, Hochberg, S. King, McClendon, D. Miller, Morrison, Otto, Riddle, Zerwas

0 nays

5 absent — Button, Crownover, Dukes, Isett, Villarreal

WITNESSES: For — Bud Harris, Del Mar College Board of Regents; Wright Lassiter, Dallas County Community Colleges; Betty McCrohan, Wharton County Junior College; Ted Melina Raab; Texas American Federation of Teachers; Millicent Valek, Texas Association of Community Colleges

Against — None

BACKGROUND: Community colleges have two sources of revenue — state and local funds. State funding is based on student contact (classroom) hours, and local funds are made up of tuition, fees and property taxes. State funding must be used exclusively to pay salaries of instructional and administrative employees and to buy supplies and materials for instruction. No state funding can be used for physical plant operations and maintenance of facilities or to pay for staff working on projects funded by grants; these costs are paid for with local funds.

A budgetary principle known as "proportionality" involves proportional cost-sharing between the state and institutions that receive funding. Applied to health benefits, it means that only employees paid with state funds are entitled to state-funded health insurance. All state agencies and public higher education institutions determine the proportional cost-sharing split for employee benefit costs. However, the Legislature has not applied proportional cost-sharing to community colleges and has provided full funding for group health insurance for eligible faculty and staff.

Gov. Rick Perry in June 2007 line-item vetoed $154 million from the fiscal 2009 state budget that would have funded higher education group insurance contributions for community colleges, saying that under state law if salaries are paid from locally raised funds, their health insurance must be paid from the same local source. The state leadership agreed to restore the funds, but only as a transition to applying proportionality in the future. As passed by the House on April 17, HB 4586 by Pitts, the supplemental appropriations and disaster-relief bill, would appropriate $153 million to community college districts to reimburse community colleges for employee health insurance costs that would have paid for with the funds vetoed from the fiscal 2008-09 budget.

DIGEST:

HB 2083 would require the Employees Retirement System (ERS) board of trustees to include public junior college employees when determining the state contribution amount necessary to pay for coverage under the group benefits program. The bill would define as eligible those instructional or administrative employees of a public junior college that otherwise were eligible to participate in the group benefit program and whose salary could be paid from funds appropriated under the general appropriations act, regardless of whether the salary actually was paid from appropriated funds.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

SUPPORTERS SAY:

HB 2083 would recognize and codify the historic commitment to fund community college group healthcare insurance for faculty and staff. If the issue of responsibility for group health benefits for all community college employees involved with educational programs is not settled, there could be negative statewide implications that would be felt in every community as community colleges would be forced to shoulder a significantly higher local expense.

If the state does not pay for eligible employee health insurance benefits, then community colleges would be forced to push those costs onto the community in the form of increased local taxes, increased tuition and fees, reduced programs and services, and deferred maintenance to pay for the benefits. Most districts simply cannot raise local taxes or tuition and have already been deferring maintenance for some time. The last resort would be to cut services by only educating the number of students for which the state provides funding.

Forty years ago, the state agreed to fund the cost of instruction at community colleges if local residents agreed to tax themselves to build and maintain the necessary physical facilities. Community colleges are in compliance with state law and have been complying with proportionality requirements — which are included as a rider in the appropriations bill — by paying for the salaries and benefits of physical plant and auxiliary services employees and those who work on projects funded by externally funded grants. The state should uphold its end of the agreement by continuing to pay for health-insurance benefits for all community college employees.

OPPONENTS SAY:

All state agencies and public higher education institutions determine the proportional cost-sharing split for employee benefit costs and community colleges should not be treated differently. Using state funds to pay for health insurance benefits for non-state paid employees would be contrary to state law. Community colleges must follow the law by paying their fair share of health insurance for their employees. In 2005 and 2007, the Legislative Budget Board recommended the state apply proportionality cost-sharing to state contributions for public community college employees in order to reduce the state's financial obligation.

Even though the state leadership agreed to restore to community colleges the funding for employee health insurance that the governor vetoed, the agreement was contingent on the community colleges making the transition to proportionality in the future. Since the governor's veto in 2007, the community colleges have had time to prepare for the transition and assume their fair share of these costs.

NOTES:

According to the LBB, the bill would cost $121.5 million in fiscal 2010-11 for the local proportion of community college health insurance premium costs.

The House-passed version of SB 1, the general appropriations bill for fiscal 2010-11, does not adopt proportionality and instead would appropriate $110 million to fund health insurance for those community college employees whose job function would be eligible for state funding, regardless of whether their salaries were paid with state funds. The Senate-passed version of SB 1 would apply proportionality to community college health insurance benefits and would fund health insurance premiums for only those community college employees whose salaries were paid for with state funds.