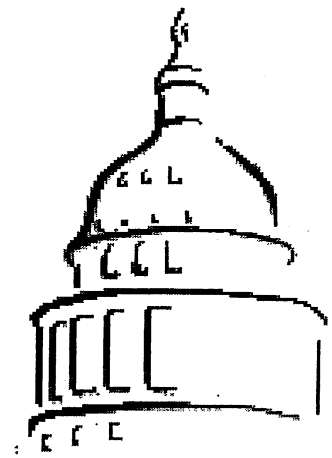

# Benefits Proportionality

## Senate Subcommittee on Higher Education

**August 14th, 2007**

**Legislative Budget Board**

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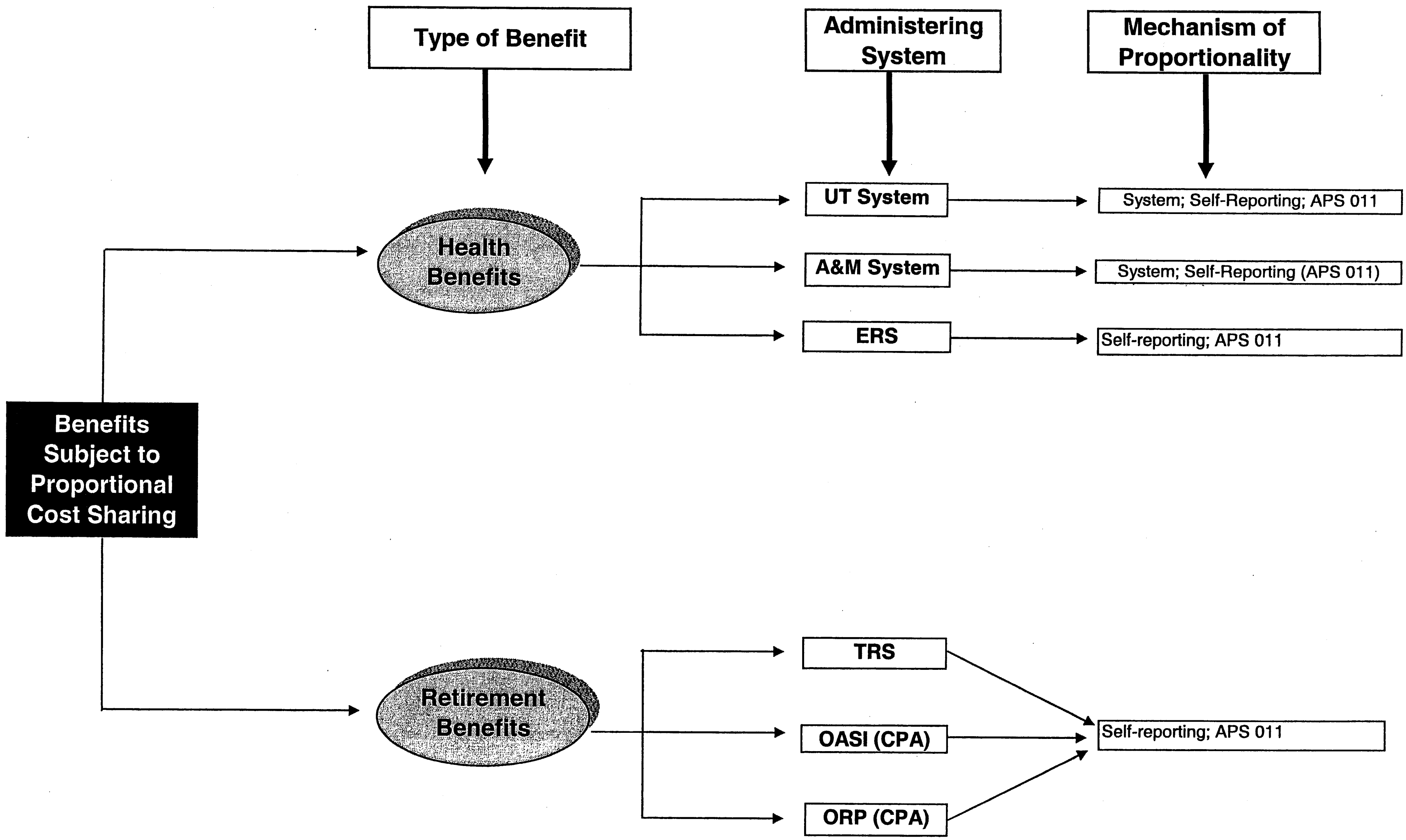
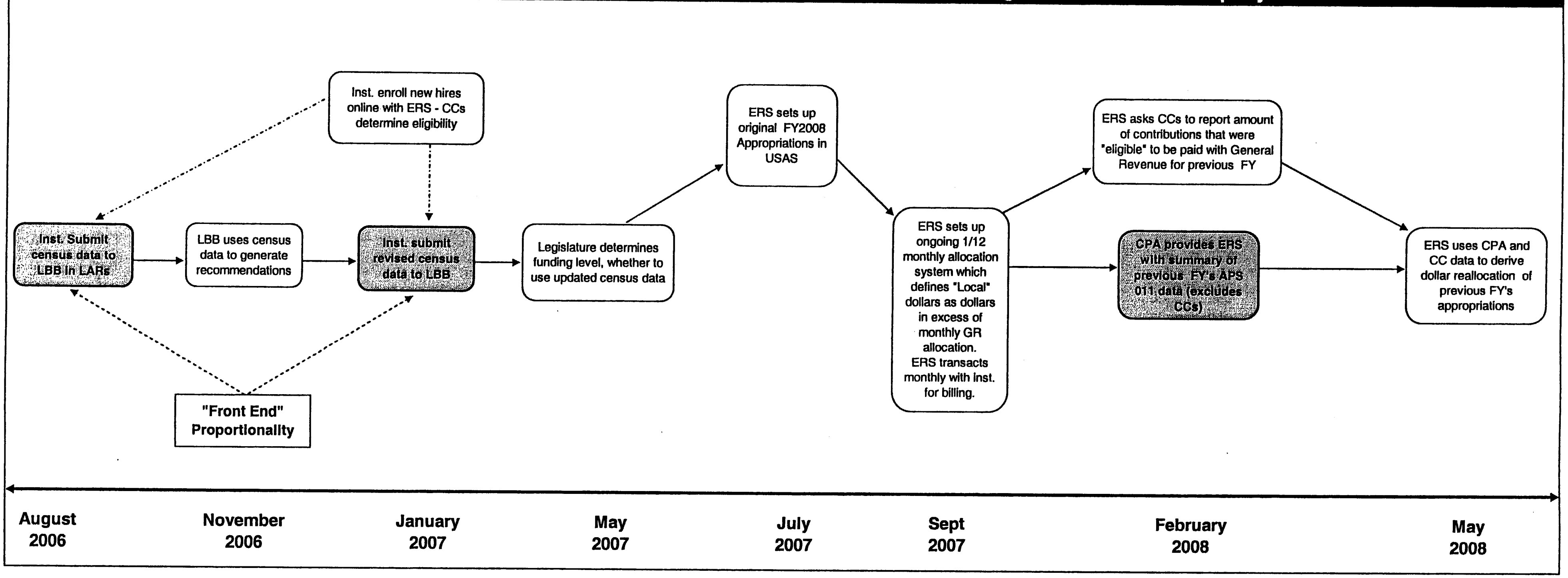
# Benefits Overview for State Entities (Excepting Community Colleges)




LBB Document

# State Health Benefits Contributions: LBB - ERS Processes for Higher Education Employees



Institution: **The University of Texas at San Antonio (743)**

| | | |
|---|---|---|
| GR | 70.18% | |
| GR-D | 29.82% | |
| Total | 100.00% | |

Enter FY 2006 proportionality percentage reported in institution's FY 2006 APS 011 (as revised to exclude Indirect Cost Recovery from the calculation of GR-D proportionality).

**FULL TIME ACTIVES**

| | A<br>E&G FT Enrollment | B<br>GR Enrollment | C<br>GR-D/OEGI Enrollment | D<br>Total E&G (Check) | E<br>Local FT Non-E&G |
|---|---|---|---|---|---|
| Employee Only | 852 | 598 | 254 | 852 | 480 |
| Employee & Children | 241 | 169 | 72 | 241 | 111 |
| Employee & Spouse | 226 | 159 | 67 | 226 | 78 |
| Employee & Family | 323 | 227 | 96 | 323 | 115 |
| Eligible, Waiver | 128 | 90 | 38 | 128 | 55 |
| Eligible, Not Enrolled | 15 | 11 | 4 | 15 | 8 |
| | **1,785** | **1,254** | **531** | **1,785** | **847** |

**PART TIME ACTIVES**

| | E&G PT Enrollment | GR Enrollment | GR-D/OEGI Enrollment | Total (Check) | Local PT Non-E&G |
|---|---|---|---|---|---|
| Employee Only | 185 | 130 | 55 | 185 | 57 |
| Employee & Children | 10 | 7 | 3 | 10 | 1 |
| Employee & Spouse | 18 | 13 | 5 | 18 | 4 |
| Employee & Family | 19 | 13 | 6 | 19 | 4 |
| Eligible, Waiver | 44 | 31 | 13 | 44 | 20 |
| Eligible, Not Enrolled | 88 | 62 | 26 | 88 | 15 |
| | **364** | **256** | **108** | **364** | **101** |
| Total Active Enrollment: | **2,149** | **1,510** | **639** | **2,149** | **948** |

# PROPORTIONALITY MODELS

**Numerator:**

**a.** Unrestricted General Revenue ("**UGR**") Maybe ~~[illegible]~~ Add Tuition

**Denominators:**

Any other options

**c.** Total Salaries ("**TS**")
**d.** Total Salaries of Those Eligible to Receive Benefits ("**TS/E**")
**e.** Total Salaries of Those Actually Receiving Benefits ("**TS/B**")

## EXAMPLE

**Blinn Community College District**

| | | |
|---|---|---|
| **UGR** | $ | 19,315,855 |
| **TS** | $ | 30,793,902 |
| **TS/E** | $ | 28,360,948 |
| **TS/B** | $ | 23,425,424 |

**Data Sources:**

| |
|---|
| FY 2006 Benefits Proportional by Fund Report |
| FY 2006 Benefits Proportional by Fund Report |
| FY 2006 Benefits Proportional by Fund Report |
| LBB Survey/Estimate |

**Total Blinn FY 2008-09 HEGI Cost:** → $ 6,108,764

**Models of Proportionality**
**Example Using Blinn Community College District**

| | | | State Share | College Share |
|---|---|---|---|---|
| **Total Blinn FY 2008-09 HEGI Cost:** | $ | 6,108,764 | **Proportional Cost Split** | |
| **Model 1** | | | | |
| | **UGR** | $ 19,315,855 | 62.73% | 37.27% |
| | **TS** | $ 30,793,902 | 3,831,798 | 2,276,966 |
| **Model 2** | | | | |
| | **UGR** | $ 19,315,855 | 68.11% | 31.89% |
| | **TS/E** | $ 28,360,948 | 4,160,510 | 1,948,254 |
| **Model 3** | | | | |
| | **UGR** | $ 19,315,855 | 82.46% | 17.54% |
| | **TS/B** | $ 23,425,424 | 5,037,091 | 1,071,673 |

District Name: **Blinn College CCD** **ORIGINAL**

| | | | |
|---|---|---|---|
| FY 2006 Unrestricted General Revenue: | | State I&A, Proportional Share: | 100.00% |
| FY 2006 Salaries of GR-Eligible Employees: | | District I&A, Proportional Share: | 0.00% |

**FULL TIME ACTIVES**

| | A<br>Total I&A Enrollment | B<br>State I&A Enrollment | C<br>District I&A Enrollment | D<br>Local Non-I&A |
|---|---|---|---|---|
| Employee Only | 294 | 294 | - | 63 |
| Employee & Children | 91 | 91 | - | 18 |
| Employee & Spouse | 42 | 42 | - | 24 |
| Employee & Family | 76 | 76 | - | 5 |
| Eligible, Not Enrolled | 15 | 15 | - | - |
| | **518** | **518** | **-** | **110** |

**PART TIME ACTIVES**

| | Total I&A Enrollment | State I&A Enrollment | District I&A Enrollment | Local Non-I&A |
|---|---|---|---|---|
| Employee Only | 1 | 1 | - | - |
| Employee & Children | - | - | - | - |
| Employee & Spouse | - | - | - | - |
| Employee & Family | - | - | - | - |
| Eligible, Not Enrolled | - | - | - | - |
| | **1** | **1** | **-** | **-** |
| Total Active Enrollment: | **519** | **519** | **-** | **110** |

8/8/2007

District Name: **Blinn College CCD** **ELIGIBLE**

| | | | |
|---|---|---|---|
| FY 2006 Unrestricted General Revenue: | $ 19,315,855 | State I&A, Proportional Share: | 68.11% |
| FY 2006 Salaries of GR-Eligible Employees: | $ 28,360,948 | District I&A, Proportional Share: | 31.89% |

**FULL TIME ACTIVES**

| | A<br>Total I&A Enrollment | B<br>State I&A Enrollment | C<br>District I&A Enrollment | D<br>Local Non-I&A |
|---|---|---|---|---|
| Employee Only | 294 | 200 | 94 | 63 |
| Employee & Children | 91 | 62 | 29 | 18 |
| Employee & Spouse | 42 | 29 | 13 | 24 |
| Employee & Family | 76 | 52 | 24 | 5 |
| Eligible, Not Enrolled | 15 | 10 | 5 | - |
| | **518** | **353** | **165** | **110** |

**PART TIME ACTIVES**

| | Total I&A Enrollment | State I&A Enrollment | District I&A Enrollment | Local Non-I&A |
|---|---|---|---|---|
| Employee Only | 1 | 1 | - | - |
| Employee & Children | - | - | - | - |
| Employee & Spouse | - | - | - | - |
| Employee & Family | - | - | - | - |
| Eligible, Not Enrolled | - | - | - | - |
| | **1** | **1** | **-** | **-** |
| Total Active Enrollment: | **519** | **354** | **165** | **110** |

8/8/2007

District Name: **Blinn College CCD**

**ACTUAL**

| | | | |
|---|---|---|---|
| **FY 2006 Unrestricted General Revenue:** | $ 19,315,855 | **State I&A, Proportional Share:** | 82.46% |
| **FY 2006 Salaries of GR-Eligible Employees:** | $ 23,425,424 | **District I&A, Proportional Share:** | 17.54% |

**FULL TIME ACTIVES**

| | A<br>Total I&A Enrollment | B<br>State I&A Enrollment | C<br>District I&A Enrollment | D<br>Local Non-I&A |
|---|---|---|---|---|
| Employee Only | 294 | 242 | 52 | 63 |
| Employee & Children | 91 | 75 | 16 | 18 |
| Employee & Spouse | 42 | 35 | 7 | 24 |
| Employee & Family | 76 | 63 | 13 | 5 |
| Eligible, Not Enrolled | 15 | 12 | 3 | - |
| | **518** | **427** | **91** | **110** |

**PART TIME ACTIVES**

| | Total I&A Enrollment | State I&A Enrollment | District I&A Enrollment | Local Non-I&A |
|---|---|---|---|---|
| Employee Only | 1 | 1 | - | - |
| Employee & Children | - | - | - | - |
| Employee & Spouse | - | - | - | - |
| Employee & Family | - | - | - | - |
| Eligible, Not Enrolled | - | - | - | - |
| | **1** | **1** | **-** | **-** |
| Total Active Enrollment: | **519** | **428** | **91** | **110** |

1

8/8/2007

Article IX, Sec. 6.08, **Benefits Paid Proportional by Fund.,** page IX-30.

(a) Unless otherwise provided, in order to maximize balances in the General Revenue Fund, payment for benefits paid from appropriated funds, including "local funds" and "education and general funds" as defined in § 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

(b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.

(c) The Comptroller, after consulting with the Legislative Budget Board and the State Auditor's Office, shall develop rules to provide for the administration of this section.

(d) Each agency or institution of higher education (including a community or junior college) having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a report demonstrating proportionality. The report shall be filed before November 20th following the close of the fiscal year for the salaries, wages, and benefits of the preceding year ended August 31. The report shall be in a format prescribed by the Comptroller in collaboration with the Legislative Budget Board and the State Auditor's Office. The State Auditor shall at least biennially review agency and institution (including a community or junior college) compliance with the requirements of this section if the agency or institution (including a community or junior college) receives funds appropriated under Articles II, III, or VI of this Act. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund.

**Department of Aging and Disability Services**, Rider 18, page II-10.

**State School Medicaid Revenues.**

a. **Proportionality of Funds.** Pursuant to Article IX, Sec 6.08, Benefits Paid Proportional by Fund, payment for salaries, wages, and benefits for ICF/MR state school employees shall be proportional to the source of funds. The department shall develop a plan for the 2008-09 biennium which identifies the appropriate portion of state and federal funds for salaries, wages, and benefits for ICF/MR state school employees. This plan is subject to review by the Comptroller of Public Accounts and the Legislative Budget Board and

shall be certified by the Chief Financial Officer of the department by October 1, 2007 prior to submission to the Legislative Budget Board.
The Department of Aging and Disability Services shall report quarterly to the Legislative Budget Board and the Governor on the distribution of ICF/MR state school revenues to other state agencies. This report shall be submitted no later than 25 days after the close of each quarter. The format and content of the report shall be prescribed by the Legislative Budget Board.

b. **Quality Assurance Fee Funds - Informational Item.** Appropriations from the Quality Assurance Fee Funds in this Act total $60,276,196 in fiscal year 2008 (including a UB from fiscal year 2007 estimated to be $8,136,705) and $58,672,618 in fiscal year 2009. Out of funds appropriated above in Strategy A.7.1, ICF/MR and A.8.1, State Schools Services, $54,921,479 in fiscal year 2008 and $53,284,905 in fiscal year 2009 in Quality Assurance Fee Funds are provided for mental retardation services. Estimated amounts of $5,354,717 in fiscal year 2008 and $5,387,713 in fiscal year 2009 are appropriated elsewhere in this Act for employee benefits for State School employees. Pursuant to Article IX, Sec. 6.08, Benefits Paid Proportional by Fund, benefits for State School Employees reflect the proportion by fund type as used for salaries.

**Texas Agricultural Experiment Station**, Rider 4, page III-196.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Hatch Act and the McIntire-Stennis Act.

**Texas Cooperative Extension**, Rider 4, page III-199.

**Limited Waiver from Proportionality Provision.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Cooperative Extension, as required in this Act, County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds. The Texas Cooperative Extension is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act.

Article IX, Sec. 6.11. **Benefits Paid Proportional by Fund,** page IX-31.

(a) Unless otherwise provided, in order to maximize balances in the General Revenue Fund, payment for benefits paid from appropriated funds, including "local funds" and "education and general funds" as defined in § 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

(b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.

(c) The Comptroller, after consulting with the Legislative Budget Board and the State Auditor's Office, shall develop rules to provide for the administration of this section.

(d) Each agency or institution of higher education (including a community or junior college) having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a report demonstrating proportionality. The report shall be filed before November 20th following the close of the fiscal year for the salaries, wages, and benefits of the preceding year ended August 31. The report shall be in a format prescribed by the Comptroller of Public Accounts in collaboration with the Legislative Budget Board and the State Auditor's Office. The State Auditor shall at least biennially review agency and institution (including a community or junior college) compliance with the requirements of this section if the agency or institution (including a community or junior college) receives funds appropriated under Articles II, III, or VI of this Act. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund.

**Public Community/Junior Colleges**, Rider 15, page III-203

**Proportionality for Public Community/Junior Colleges**. It is the intent of the Legislature that during fiscal years 2006 and 2007 the Legislative Budget Board use the funds appropriated by this Act to be in a position to implement proportionality for public community colleges starting in the 2008-09 biennium.

**Texas Agricultural Experiment Station**, Rider 5, page III-218.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Hatch Act and the McIntire-Stennis Act.

**Texas Cooperative Extension**, Rider 4, page III-222.

**Limited Waiver from Proportionality Provision.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Cooperative Extension, as required in this Act, County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds. The Texas Cooperative Extension is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act.

**Special Provision Relating Only to State Agencies of Higher Education**, Sec, 60, page III-260.

**Benefits Proportionality for Institutions of Higher Education.** It is the intent of the Legislature that during fiscal years 2006 and 2007 the Legislative Budget Board use the funds appropriated by this Act to be in a position to use the Comptroller's Accounting Policy Statement 011 as a basis for determining proportional health insurance appropriations for public institutions of higher education beginning in the biennium starting September 1, 2007.

Article IX, Sec. 6.11. **Salaries to Be Proportional by Fund**, page IX-35.

(a) Unless otherwise provided, payment for salaries, wages, and benefits paid from appropriated funds, including "local funds" and "education and general funds" as defined in § 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

(b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.

(c) The Comptroller shall develop rules to provide for the administration of this section.

(d) Each agency or institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a schedule demonstrating proportionality. The schedule shall be filed before November 20th following the close of the fiscal year for the salaries, wages, and benefits of the preceding year ended August 31. The schedule shall be in a format prescribed by the Comptroller. The State Auditor shall review the agencies' compliance with this section. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund.

**Texas Agricultural Experiment Station**, Rider 4, page III-229.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Hatch Act and the McIntire-Stennis Act.

**Texas Cooperative Extension**, Rider 3, page III-223.

**Limited Waiver from Proportionality Provision.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Cooperative Extension, as required in this Act, County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds. The Texas Cooperative Extension is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act.

Article IX, Sec. 6.11. **Salaries to Be Proportional by Fund**, page IX-41.

(a) Unless otherwise provided, payment for salaries, wages, and benefits paid from appropriated funds, including "local funds" and "education and general funds" as defined in § 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

(b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.

(c) The Comptroller shall develop rules to provide for the administration of this section.

(d) Each agency or institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a schedule demonstrating proportionality. The schedule shall be filed before November 20th following the close of the fiscal year for the salaries, wages, and benefits of the preceding year ended August 31. The schedule shall be in a format prescribed by the Comptroller. The State Auditor shall review (in the State Auditor's audit of respective agencies) the agencies' compliance with this section. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund.

**Department of Mental Health and Mental Retardation**, Rider 4, page II-86

**Appropriation for State School and State Hospital Services.**

a. Out of the funds appropriated above for Strategy B.1.1, MH State Hospital Services, $4,840,793 in General Revenue Funds for fiscal year 2002 and $4,962,983 in General Revenue Funds for fiscal year 2003, and for Strategy D.1.1, MR State School Services, $35,798,718 in General Revenue Funds for fiscal year 2002 and $36,367,378 in General Revenue Funds for fiscal year 2003, may only be spent if the Department of Mental Health and Mental Retardation ("the department") complies with the following limitations and conditions:

(1) Each month, the department must transfer the full monthly amount of estimated Federal and Other Funds for employee benefit and bond debt service payments for state hospitals and state schools, as determined by the Comptroller of Public Accounts, to the state agencies that are responsible for making these employee benefit and bond debt service payments.

(2) Each month, the Comptroller of Public Accounts may release up to one-twelfth of the total annual amount of the General Revenue Funds appropriated above for each fiscal year that are subject to the limitations and conditions set forth by this section upon receiving documentation that the department has transferred the full monthly amount of estimated Federal and Other Funds for employee benefit and bond debt service payments for Goal B, MH Specialized Services (state hospitals) and Goal D, MR Specialized Services (state schools) for the month (as required to do so in subsection (a)(1)).

(3) The department may not expend General Revenue Funds appropriated above that are subject to the limitations and conditions set forth by this section in excess of the total monthly amount of estimated Federal and Other Funds transferred under subsection (a)(1).

b. The department shall report monthly to the Legislative Budget Board and the Governor on:
(1) The full amount of funds, by method-of-finance, transferred to other state agencies for payment of employee benefits and bond debt service associated with each strategy in its bill pattern, and

(2) The total amount of General Revenue Funds expended from Strategy B.1.1, MH State Hospital Services, and Strategy D.1.1, MR State School Services, that are subject to the limitations and conditions set forth by this section.

The form and content of the monthly report may be prescribed by the Legislative Budget Board and the Governor.

c. It is the intent of the Legislature that the department continue working with the Legislative Budget Board and the Comptroller of Public Accounts to identify and resolve issues relating to proportionality in the payment of employee benefits and bond debt service by the department.

**Texas Agricultural Experiment Station**, Rider 5, page III-206.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Hatch Act and the McIntire-Stennis Act.

**Texas Agricultural Extension Service** Rider 4, page III-209.

**Limited Waiver from Proportionality Provision.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Agricultural Extension Service, as required in this Act, County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds. The Texas Agricultural Extension Service is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act

Article IX, Sec. 9-6.11. **Salaries to be Proportional by Fund**, page IX-39.

(a) Unless otherwise provided, payment for salaries, wages, and benefits paid from appropriated funds, including "local funds" and "education and general funds" as defined in Sections 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

(b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.

(c) The Comptroller shall develop rules to provide for the administration of this section.

(d) Each agency or institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a schedule demonstrating proportionality. The schedule shall be filed before November 20th following the close of the fiscal year for the salaries, wages, and benefits of the preceding year ended August 31. The schedule shall be in a format prescribed by the Comptroller. The State Auditor shall review (in the State Auditor's audit of respective agencies) the agencies' compliance with this section. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund.

**Texas Agricultural Experiment Station**, Rider 5, page III-204.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Hatch Act and the McIntire-Stennis Act.

**Texas Agricultural Extension Service** Rider 4, page III-207.

**Limited Waiver from Proportionality Provision.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Agricultural Extension Service, as required in this Act, County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds. The Texas Agricultural Extension Service is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act.

Article IX, Sec. 31. **Salaries to be Proportional by Fund**, page IX-71.

It is the intent of the Legislature that unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and education and general funds as defined in Sections 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

Unless otherwise specifically authorized by this Act, none of the funds appropriated by this Act out of the General Revenue Fund may be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries and wages if the salaries and wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller of Public Accounts determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.

The Comptroller of Public Accounts shall develop rules to provide for the administration of this provision.

Each agency and institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller of Public Accounts and the Office of the State Auditor a schedule demonstrating proportionality. The statement is due January 15, for the salaries, wages, and benefits of the preceding year ended August 31, in a format prescribed by the Comptroller. The State Auditor shall review in his audit of respective agencies compliance with the provisions of this section. The Comptroller of Public Accounts, upon receipt of notification from the State Auditor's office of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from non General Revenue Fund sources.

**Texas Agricultural Experiment Station**, Rider 7, page III-206.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act.

**Texas Agricultural Extension Service** Rider 5, page III-209.

**Proportionality Payments for Employee Benefits.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Agricultural Extension Service, as required in this Act, County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds. The Texas Agricultural Extension Service is specifically exempt from implementation of proportionality for Higher Education Retirement Programs, but only in regard to the retirement match limit that is imposed under the federal Smith-Lever Act and the Hatch Act.

**Special Provisions Relating Only to State Agencies of Higher Education**, Sec 6, pate III-229.

**Salary and Benefit Provisions.**
1. **Prorated Salaries Authorized.** Any employees who distribute their time and duties between general administration, instruction, organized activities related to instruction, and the management of auxiliary enterprises, may receive their total salary payments in proportionate parts from such activities and from the appropriated or available funds therefore.

2. **President Salaries.** Out of the educational and general funds appropriated to the general academic institutions, health centers, health science centers and medical education programs, an amount NTE $65,945 in 1998 and $65,945 in 1999 may be expended for the salary of a president. All presidents may receive in addition to the above amounts a house, utilities, and/or supplement from institutional funds. If an institutionally owned house is not available an amount NTE $7,200 per year from the institution's appropriation, and additional amounts from institutional funds where required, may be provided in lieu of house and utilities.

3. **Chancellor Salaries.** Out of the funds appropriated, transferred, or contracted to the system offices, an amount NTE $70,231 in 1998 and $70,231 in 1999 may be expended for the salary for a chancellor. All chancellors may receive in addition to the above amounts a house, utilities, and/or supplement from institutional funds. If a system owned house is not available an amount NTE $7,200 per year from the system office appropriation and additional amounts from private and institutional funds where required, may be provided in lieu of house and utilities.

4. **Merit Authorization.** It is expressly provided that institutional administrators may grant merit salary increases to employees whose job performance and productivity is consistently above that normally expected or required.

5. **Merit Requirement for Faculty and Faculty Equivalent Employees of Institutions and Agencies of Higher Education.** Notwithstanding any other provisions of this act, salary increases for faculty or faculty equivalent employees of institutions of higher education shall be awarded on the basis of merit and performance in accepted activities. This shall not be interpreted so as to preclude salary adjustment designed to avoid salary inequities.

6. **Group Insurance Premiums.** For the biennium ending August 31, 1999, there is hereby appropriated such amounts, from local funds or educational and general income available to institutions of higher education, as may be necessary to pay the proportional share of the State's contributions for Staff Group Health Insurance Premiums. Funds appropriated by this subsection may be transferred by those institutions not retaining separate insurance programs to the Employees Retirement System at appropriate intervals to pay the proportional share of the group insurance premiums.

**1996-97 General Appropriations Bill**

Article IX, Sec. 30. **Salaries to be Proportional by Fund**, page IX-57.

**Salaries to be Proportional by Fund.** It is the intent of the Legislature that unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and education and general funds as defined in Sections 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

Unless otherwise specifically authorized by this Act, none of the funds appropriated by this Act out of the General Revenue Fund may be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries and wages if the salaries and wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller of Public Accounts determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund. The Comptroller of Public Accounts shall develop rules to provide for the administration of this provision.

Each agency and institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller of Public Accounts and the Office of the State Auditor a schedule demonstrating proportionality. The statement is due January 15, for the salaries, wages, and benefits of the preceding year ended August 31, in a format prescribed by the Comptroller. The State Auditor shall review in his audit of respective agencies compliance with the provisions of this section. The Comptroller of Public Accounts, upon receipt of notification from the State Auditor's office of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from non General Revenue Fund sources.

Article IX, Sec. 155. **Salaries to be Proportional by Fund**, page IX-101.

**Reductions in Appropriations: Higher Education Retirement Programs.**

1. It is the intent of the Legislature that the recommendations developed by the Texas Performance Review (TPR) and described in Gaining Ground as recommendation ED 24, Apply the Proportionality Concept for Higher Education's Retirement Programs, be adopted and implemented by the Teacher Retirement System and each affected institution of higher education…..

2. <……..>

3. Funds appropriated out of the General Revenue Fund by this Act to the Teacher Retirement System and the Optional Retirement Program by this Act may be expended for contributions for employees of institutions of higher education only in relationship to a salary or wage paid out of an appropriation from the General Revenue Fund. All other contributions for employees of institutions of higher education shall be from funds appropriated elsewhere in the Act of from funds held outside of the State Treasury and shall be made in proportion to the source of funds from which the respective employee's salary or wage is paid….

**Texas Agricultural Experiment Station**, Rider 9, page III-213.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Experiment Station is specifically exempt from implementation of the Reductions in the following appropriations: Higher Education Retirement Programs in Article IX, Section 155 of the Act, but only with regard to the retirement match limit that is imposed under the feral Smith-Lever Act and the Hatch Act.

**Texas Agricultural Extension Service** Rider 5, page III-216.

**Proportionality Payments for Employee Benefits.** For the purpose of determining proportional payments of retirement and group insurance benefits for the Texas Agricultural Extension Service, as required in this Act (Art. IX, Sec. 155 and Sec. 30), County Funds paid directly by County Commissioners Courts shall be considered as General Revenue Funds.

**Texas Agricultural Extension Service** Rider 7, page III-216.

**Limited Waiver from Proportionality Provision.** The Texas Agricultural Extension Service is specifically exempt from implementation of the Reductions in the following appropriations: Higher Education Retirement Programs in Article IX, Section 155 of the Act, but only with regard to the retirement match limit that is imposed under the feral Smith-Lever Act and the Hatch Act.

Article V, Sec. 67. **Salaries to be Proportional by Fund**, page V-73.

**Salaries to be Proportional by Fund.** It is the intent of the Legislature that unless otherwise restricted payment for salaries, wages, and benefits paid from appropriated funds, including local funds and education and general funds as defined in V.T.C.A., Education Code, Sec. 51.009 (a) and (c), shall be proportional to the source of funds. Each agency and institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller of Public Accounts and the Office of the State Auditor a schedule demonstrating proportionality. The statement is due January 15, for the salaries, wages and benefits of the preceding year ended August 31, in a format prescribed by the Comptroller. The State Auditor shall review in his audit of respective agencies compliance with the provisions of this section. The Comptroller of Public Accounts, upon receipt of notification from the State Auditor's office of amounts disproportionally paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from non General Revenue Fund sources.

Article V, Sec. 72. **Salaries to be Proportional by Fund**, page V-67.

**Salaries to be Proportional by Fund.** It is the intent of the Legislature that unless otherwise restricted payment for salaries, wages, and benefits paid from appropriated funds shall be proportional to the source of funds.

**Texas Agricultural Extension Service**, Rider 5, page III-87

**Proportional Payment of Staff Benefits.** It is the intent of the Legislature that the Texas Agricultural Extension Service renegotiate its federal and county agreements to the extent possible to use federal funds and county extension funds to pay proportionally the costs of all relevant staff benefits, particularly staff group insurance premiums.

Article V, Sec. 72. **Salaries to be Proportional by Fund**, page V-81.

**Salaries to be Proportional by Fund.** It is the intent of the Legislature that unless otherwise restricted payment for salaries, wages, and benefits paid from appropriated funds shall be proportional to the source of funds.

**Education Code**

§ 130.003. STATE APPROPRIATION FOR PUBLIC JUNIOR COLLEGES. (a) There shall be appropriated biennially from money in the state treasury not otherwise appropriated an amount sufficient to supplement local funds for the proper support, maintenance, operation, and improvement of those public junior colleges of Texas that meet the standards prescribed by this chapter. The sum shall be allocated on the basis of contact hours within categories developed, reviewed, and updated by the coordinating board.

(b) To be eligible for and to receive a proportionate share of the appropriation, a public junior college must:

(1) be certified as a public junior college as prescribed in Section 61.063;

(2) offer a minimum of 24 semester hours of vocational and/or terminal courses;

(3) have complied with all existing laws, rules, and regulations governing the establishment and maintenance of public junior colleges;

(4) collect, from each full-time and part-time student enrolled, matriculation and other session fees in the amounts required by law or in the amounts set by the governing board of the junior college district as authorized by this title;

(5) grant, when properly applied for, the scholarships and tuition exemptions provided for in this code; and

(6) for a public junior college established on or after September 1, 1986, levy and collect ad valorem taxes as provided by law for the operation and maintenance of the public junior college.

(c) All funds allocated under the provisions of this code, with the exception of those necessary for paying the costs of audits as provided, shall be used exclusively for the purpose of paying salaries of the instructional and administrative forces of the several institutions and the purchase of supplies and materials for instructional purposes.

(d) Only those colleges which have been certified as prescribed in Section 61.063 of this code shall be eligible for and may receive any appropriation made by the legislature to public junior colleges.

(e) The purpose of each public community college shall be to provide:

(1) technical programs up to two years in length leading to associate degrees or certificates;

(2) vocational programs leading directly to employment in semi-skilled and skilled occupations;

(3) freshman and sophomore courses in arts and sciences;

(4) continuing adult education programs for occupational or cultural upgrading;

(5) compensatory education programs designed to fulfill the commitment of an admissions policy allowing the enrollment of disadvantaged students;

(6) a continuing program of counseling and guidance designed to assist students in achieving their individual educational goals;

(7) work force development programs designed to meet local and statewide needs;

(8) adult literacy and other basic skills programs for adults; and

(9) such other purposes as may be prescribed by the Texas Higher Education Coordinating Board or local governing boards in the best interest of post-secondary education in Texas.

(f) This section does not alter, amend, or repeal Section 54.060 of this code.

Acts 1969, 61st Leg., p. 2994, ch. 889, § 1. Renumbered from V.T.C.A., Education Code § 51.003 by Acts 1971, 62nd Leg., p. 3281, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971. Amended by Acts 1971, 62nd Leg., p. 3355, ch. 1024, art. 2, § 30, eff. Sept. 1, 1971; Acts 1973, 63rd Leg., p. 87, ch. 51, § 7, eff. Aug. 27, 1973; Acts 1973, 63rd Leg., p. 1519, ch. 549, § 1, eff. June 15, 1973; Acts 1977, 65th Leg., p. 1379, ch. 550, § 1, eff. Aug. 29, 1977; Acts 1985, 69th Leg., ch. 705, § 1, eff. Sept. 1, 1985; Acts 1985, 69th Leg., ch. 708, § 16, eff. Aug. 26, 1985; Acts 1987, 70th Leg., ch. 823, § 3.04, eff. June 20, 1987; Acts 1993, 73rd Leg., ch. 262, § 1, eff. May 23, 1993; Acts 1997, 75th Leg., ch. 1383, § 1, eff. June 20, 1997; Acts 2005, 79th Leg., ch. 805, § 1, eff. June 17, 2005.

**"APPLY PROPORTIONAL COST-SHARING TO STATE CONTRIBUTIONS FOR COMMUNITY COLLEGE EMPLOYEE BENEFITS"**

**Texas State Government Effectiveness and Efficiency, January 2007, Pages 405 – 412**

**Legislative Budget Board Staff**

# APPLY PROPORTIONAL COST-SHARING TO STATE CONTRIBUTIONS FOR COMMUNITY COLLEGE EMPLOYEE BENEFITS

Texas state law requiring state employee benefits be paid in proportion to the funding source of salaries has a significant effect on the state's obligation to fund benefits. For example, without proportional cost-sharing standards, the state would have to increase its current appropriation for higher education group health insurance by almost 80 percent. With the exception of Texas' 50 public community colleges, all state higher education entities apply a uniform standard of proportionality when requesting state contributions for group health benefits. Applying proportional cost-sharing standards to the state's contributions for community college's group health insurance benefits could save Texas approximately $54.2 million in General Revenue Funds for the 2008–09 biennium.

## CONCERNS

- Texas' public community colleges are the only entities receiving significant amounts of General Revenue Funds using a non-standard method of requesting state funding for health insurance benefits.
- Applying proportional cost-sharing standards to the state's contributions for community colleges' group health insurance benefits could save the state $54.2 million in General Revenue Funds for the 2008–09 biennium and bring community colleges into compliance with current state law.

## RECOMMENDATIONS

- **Recommendation 1:** Apply the common standard of proportional cost-sharing when funding group health insurance contributions with General Revenue Funds for community colleges.
- **Recommendation 2:** Amend the Higher Education Employees Group Insurance Contributions rider in the 2008–09 General Appropriations Bill to place community colleges in a separate category for health benefits reallocations at the end of each fiscal year.

## DISCUSSION

The 50 community college districts in Texas receive significant appropriations of General Revenue Funds for instruction and administration. Community colleges also have access to significant amounts of non-state income, such as property taxes, tuition, fees and a variety of federal funding sources. State General Revenue Funds account for about 30 percent of community colleges' total income (**Figure 1**).

For institutions with differing income sources, the state requires that payments for salaries and associated benefits be proportional to an institution's sources of income. That is, the state's obligation to fund benefits is limited to the portion of salaries supported with state General Revenue Funds, given the total funding sources available to the institution.

State General Revenue Fund appropriations to community colleges for employee benefits are discretionary because community college employees are local, rather than state employees. However, the state has appropriated more than $1.1 billion to community colleges for employee benefits coverage in the last 10 years.

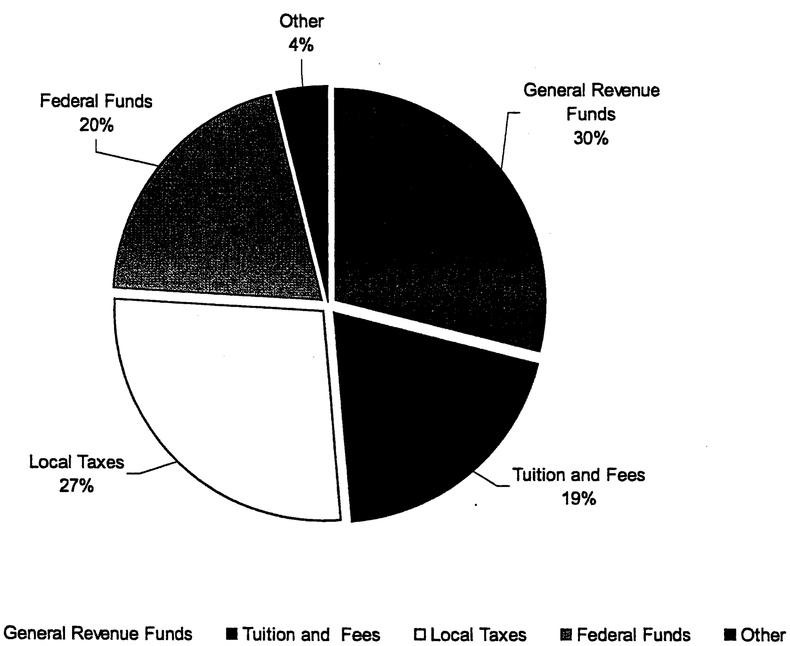
Proportional cost sharing (proportionality) is used to maximize balances in the General Revenue Fund through the alignment of salary funding source with benefits funding source. The Texas Legislature generally limits state General Revenue Fund contributions for benefits only to those employees having salaries paid with General Revenue Funds. Current rider language relating to proportionality in Section 6.11, Article IX, of the 2006–07 General Appropriations Act, reads in part as follows:

> **Sec. 6.11 Salaries to Be Proportional by Fund.**
>
> (b) Unless otherwise authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund…

In the past, Texas has not applied proportional cost-sharing to fund its share of community college employee benefits.

With the exception of public community colleges, all public institutions of higher education and state agencies use Accounting Policy Statement 011 (APS 011), a report filed annually with the Texas Comptroller of Public Accounts, to determine the proportional cost-sharing "split" in a standardized methodology. This document provides a

**FIGURE 1**
**COMMUNITY COLLEGE INCOME SOURCES (ESTIMATED)**
**FISCAL YEAR 2006**




Sources: Legislative Budget Board; Texas Higher Coordinating Board.

structure by which state and local contributions are "settled up" considering the fiscal year's fund proportionality.

### ANALYSIS OF PROPORTIONAL COST SHARING

In 2006, Legislative Budget Board (LBB) staff conducted a review of state proportional cost sharing. The review sought to (1) examine the community colleges' benefits reporting processes, (2) confirm the validity of community college benefits data submitted to state entities, and (3) solicit community college input on proportionality to better understand how it relates to their overall funding.

As part of the review, LBB staff:

- Visited the campus of Stephen F. Austin University, Texas State Technical College at Waco and four community college districts for on-location process reviews of benefits data submitted to state entities;
- Met with staff from the Employee Retirement System (ERS), the Teacher's Retirement System and the Comptroller of Public Accounts for detailed discussions on each agency's role in the provision of health and retirement benefits to community colleges;
- Analyzed detailed community college health and retirement benefits data based on information submitted to state agencies by community colleges, including an LBB staff request to each community college district to provide salary detail in support of each district's previous health benefits enrollment submission;
- Participated in several meetings with community college associations, including the Texas Association of Community Colleges and the Texas Association of Community College Business Officers and distributed a voluntary survey to all 50 districts intended to gather information on proportionality-related issues; and
- Created six different "models" (based on differing numerators and denominators) of realizing proportionality.

In the preliminary 2006 group health insurance enrollment census, community colleges reported 36,409 active and retired employees enrolled in the ERS's Group Benefit Plan. Retired enrollees and active enrollees respectively accounted for 20.7 percent and 79.3 percent of this census.

Community colleges were instructed to categorize enrollees as being either "General Revenue Fund" (i.e., able to receive state contributions for health benefits) or "non-General Revenue Fund" (i.e., where premiums are paid by the district). Enrollees categorized as General Revenue Fund receive contributions for their health benefits from General Revenue Funds. Community colleges reported 84.1 percent of their active enrollment and 92.9 percent of their retiree enrollment as being able to receive General Revenue Fund contributions.

This analysis assumes all enrollees reported as "General Revenue Fund" are "General Revenue eligible," which means the contribution from General Revenue Funds is paying all the enrollee's salary. For example, if a district reports 90 percent of its total health insurance enrollment is eligible for contributions funded from General Revenue Funds, then approximately 90 percent of the total salary pool for all those enrollees are paid with contributions from General Revenue Funds.

If a community college's appropriation of General Revenue Funds is equal to or greater than the district's total salary pool for those enrollees reported as being eligible for health benefit contributions from General Revenue Funds, then the district is requesting state benefit funding in a manner proportional to how it pays salaries. Conversely, if the district's funding from General Revenue Funds is significantly less than the district's total salary pool for those enrollees eligible to receive state-supported health benefits, then it is possible the district is over-reporting its enrollment of employees eligible for health insurance contributions paid with General Revenue Funds.

Using fiscal year 2005 data collected from community college districts and ERS, this analysis uses the following six steps to determine proportional community college retirement contributions:

1. List the total salary amount of those district employees eligible to receive benefit contributions funded from General Revenue Funds using data from each district's fiscal year 2005 Benefits Proportional by Fund report.
2. Use each district's total fiscal year 2005 formula appropriation to determine each district's maximum amount of unrestricted General Revenue Funding.
3. Determine the percentage each district's unrestricted General Revenue Fund contribution was of its General Revenue Fund eligible salary pool.
4. Calculate each district's proportional state group insurance contribution amount by multiplying the district's total group health insurance costs by the percentage determined above in step 3.
5. Subtract each district's actual group health insurance state from the proportional health insurance contribution amount to determine the degree, if any, of over/under funding.
6. Derive a percentage of over/under funding by dividing each district's over/under funded total by the actual state contribution. If necessary, this multiple could be used to adjust each district's proportional state health insurance 2008–09 contribution level.

Using this approach, **Figure 2** shows an over-funding level of $27.1 million in fiscal year 2008, which is about 17.6 percent of the total fiscal year 2008 recommended state group health insurance contribution to community colleges. There is significant variation in the over/under funding level among the 50 districts. Over-funding ranges from about 45 percent to 0 percent of the total state contribution. Larger districts are significantly more likely to be over funded.

Assuming the adoption of the LBB's 2008–09 recommended funding levels, the state could reduce its contribution to the community colleges' group health insurance appropriation by approximately $54.2 million over the biennium ($27.1 million in fiscal year 2008 and $27.1 million in fiscal year 2009). These savings are the basis of Recommendation 1, which is to apply the common standard of proportional cost sharing when funding group health insurance contributions with General Revenue Funds for community colleges and are not incorporated into the community college portion of the LBB's recommendations for higher education group insurance.

Recommendation 2, which would amend the Higher Education Employees Group Insurance Contributions rider in the 2008–09 General Appropriations Bill to place community colleges in a separate category for health benefits reallocations at the end of each fiscal year, was based on analysis of ERS processes for providing health benefits to higher education employees. The review revealed there are three points where proportionality is manifested in the draw-down cycle of state-funded health benefits contributions. These points are shown in the highlighted areas of **Figure 3**.

The first such point begins with institutions submitting estimated health enrollment data in August 2004. The second point where proportionality is applied is when this estimated enrollment data is updated with actual enrollment counts in December 2004 to January 2005. In both, the preliminary enrollment submission and the update several months later, institutions are obligated to sort their enrollees by method of

**FIGURE 2**
**RECOMMENDED AND PROPORTIONAL CONTRIBUTION AMOUNTS**

| | A 2008 GENERAL REVENUE REC. | B ADJUSTMENT MULTIPLE | C REVISED 2008 GENERAL REVENUE REC. A * B | D 2009 GENERAL REVENUE REC. | D REVISED 2009 GENERAL REVENUE | E BIENNIAL TOTAL, REVISED | F TOTAL REDUCED AMOUNT |
|---|---|---|---|---|---|---|---|
| Alamo Community College | $11,079,138 | 0.68 | $7,491,197 | $11,079,138 | $7,491,197 | $14,982,394 | ($7,175,882) |
| Alvin Community College | 1,743,554 | 0.95 | 1,657,531 | 1,743,554 | 1,657,531 | 3,315,062 | (172,046) |
| Amarillo College | 3,989,607 | 0.89 | 3,547,874 | 3,989,607 | 3,547,874 | 7,095,748 | (883,466) |
| Angelina College | 1,405,021 | 1.00 | 1,405,021 | 1,405,021 | 1,405,021 | 2,810,042 | - |
| Austin Community College | 7,248,134 | 0.58 | 4,215,963 | 7,248,134 | 4,215,963 | 8,431,926 | (6,064,342) |
| Blinn College | 3,167,592 | 1.00 | 3,167,592 | 3,167,592 | 3,167,592 | 6,335,184 | - |
| Brazosport College | 1,443,187 | 0.69 | 999,624 | 1,443,187 | 999,624 | 1,999,248 | (887,126) |
| Central Texas College | 2,626,045 | 1.00 | 2,626,045 | 2,626,045 | 2,626,045 | 5,252,090 | - |
| Cisco Junior College | 963,002 | 1.00 | 963,002 | 963,002 | 963,002 | 1,926,004 | - |
| Clarendon College | 486,167 | 1.00 | 486,167 | 486,167 | 486,167 | 972,334 | - |
| Coastal Bend College | 1,368,536 | 1.00 | 1,368,536 | 1,368,536 | 1,368,536 | 2,737,072 | - |
| College of the Mainland | 2,196,117 | 0.61 | 1,339,479 | 2,196,117 | 1,339,479 | 2,678,958 | (1,713,276) |
| Collin Cty Community College | 3,378,103 | 0.74 | 2,516,666 | 3,378,103 | 2,516,666 | 5,033,332 | (1,722,874) |
| Dallas Cty Community College | 15,590,838 | 0.84 | 13,057,824 | 15,590,838 | 13,057,824 | 26,115,648 | (5,066,028) |
| Del Mar College | 4,059,839 | 0.94 | 3,796,979 | 4,059,839 | 3,796,979 | 7,593,958 | (525,720) |
| El Paso Community College | 6,507,506 | 0.74 | 4,830,507 | 6,507,506 | 4,830,507 | 9,661,014 | (3,353,998) |
| Frank Phillips College | 590,916 | 0.83 | 489,938 | 590,916 | 489,938 | 979,876 | (201,956) |
| Galveston College | 857,107 | 0.96 | 819,289 | 857,107 | 819,289 | 1,638,578 | (75,636) |
| Grayson County College | 1,569,472 | 1.00 | 1,569,472 | 1,569,472 | 1,569,472 | 3,138,944 | - |
| Hill College | 970,525 | 1.00 | 970,525 | 970,525 | 970,525 | 1,941,050 | - |
| Houston Community College | 10,264,822 | 0.55 | 5,600,481 | 10,264,822 | 5,600,481 | 11,200,962 | (9,328,682) |
| Howard College | 1,600,663 | 1.00 | 1,600,663 | 1,600,663 | 1,600,663 | 3,201,326 | - |
| Kilgore College | 2,353,916 | 1.00 | 2,353,916 | 2,353,916 | 2,353,916 | 4,707,832 | - |
| Laredo Junior College | 3,456,133 | 0.85 | 2,943,283 | 3,456,133 | 2,943,283 | 5,886,566 | (1,025,700) |
| Lee College | 2,110,012 | 0.89 | 1,871,184 | 2,110,012 | 1,871,184 | 3,742,368 | (477,656) |
| McLennan Community College | 3,400,126 | 0.82 | 2,802,452 | 3,400,126 | 2,802,452 | 5,604,904 | (1,195,348) |
| Midland College | 2,152,568 | 0.84 | 1,809,731 | 2,152,568 | 1,809,731 | 3,619,462 | (685,674) |
| Navarro College | 1,550,182 | 1.00 | 1,550,182 | 1,550,182 | 1,550,182 | 3,100,364 | - |
| NorthCentralTexasCollege | 1,408,009 | 1.00 | 1,408,009 | 1,408,009 | 1,408,009 | 2,816,018 | - |
| North Harris Montgomery Community College | 9,403,944 | 0.86 | 8,106,319 | 9,403,944 | 8,106,319 | 16,212,638 | (2,595,250) |
| Northeast Tx Community College | 950,337 | 1.00 | 945,818 | 950,337 | 945,818 | 1,891,636 | (9,038) |
| Odessa College | 2,114,532 | 0.85 | 1,801,912 | 2,114,532 | 1,801,912 | 3,603,824 | (625,240) |
| Panola College | 891,100 | 0.74 | 661,608 | 891,100 | 661,608 | 1,323,216 | (458,984) |
| Paris Junior College | 1,329,747 | 1.00 | 1,329,747 | 1,329,747 | 1,329,747 | 2,659,494 | - |
| Ranger Junior College | 392,835 | 1.00 | 392,835 | 392,835 | 392,835 | 785,670 | - |

**FIGURE 2 (CONTINUED)**
**RECOMMENDED AND PROPORTIONAL CONTRIBUTION AMOUNTS**

| | A 2008 GENERAL REVENUE REC. | B ADJUSTMENT MULTIPLE | C REVISED 2008 GENERAL REVENUE REC. A * B | D 2009 GENERAL REVENUE REC. | D REVISED 2009 GENERAL REVENUE | E BIENNIAL TOTAL, REVISED | F TOTAL REDUCED AMOUNT |
|---|---|---|---|---|---|---|---|
| San Jacinto College | $6,720,130 | 0.76 | $5,113,084 | $6,720,130 | $5,113,084 | $10,226,168 | ($3,214,092) |
| South Plains College | 3,462,745 | 1.00 | 3,462,745 | 3,462,745 | 3,462,745 | 6,925,490 | - |
| South Texas Community Col. | 4,104,184 | 0.83 | 3,408,724 | 4,104,184 | 3,408,724 | 6,817,448 | (1,390,920) |
| Southwest Texas Junior College | 1,362,795 | 0.86 | 1,177,376 | 1,362,795 | 1,177,376 | 2,354,752 | (370,838) |
| Tarrant County Junior College | 9,146,077 | 0.79 | 7,251,474 | 9,146,077 | 7,251,474 | 14,502,948 | (3,789,206) |
| Temple Junior College | 1,317,617 | 0.77 | 1,010,297 | 1,317,617 | 1,010,297 | 2,020,594 | (614,640) |
| Texarkana College | 1,668,485 | 1.00 | 1,668,485 | 1,668,485 | 1,668,485 | 3,336,970 | - |
| Texas Southmost College*** | - | 1.00 | - | - | - | - | - |
| Trinity Valley Community College | 1,736,732 | 1.00 | 1,736,732 | 1,736,732 | 1,736,732 | 3,473,464 | - |
| Tyler Junior College | 3,400,979 | 1.00 | 3,400,979 | 3,400,979 | 3,400,979 | 6,801,958 | - |
| Vernon Regional Junior College | 1,174,168 | 1.00 | 1,174,168 | 1,174,168 | 1,174,168 | 2,348,336 | - |
| Victoria College | 1,559,987 | 1.00 | 1,559,987 | 1,559,987 | 1,559,987 | 3,119,974 | - |
| Weatherford College | 1,481,012 | 1.00 | 1,481,012 | 1,481,012 | 1,481,012 | 2,962,024 | - |
| Western Texas College | 716,076 | 0.94 | 672,006 | 716,076 | 672,006 | 1,344,012 | (88,140) |
| Wharton County Junior College | 1,844,950 | 0.85 | 1,564,214 | 1,844,950 | 1,564,214 | 3,128,428 | (561,472) |
| | **$154,315,269** | | **$127,178,654** | **$154,315,269** | **$127,178,654** | **$254,357,308** | **($54,273,230)** |

SOURCE: Legislative Budget Board.

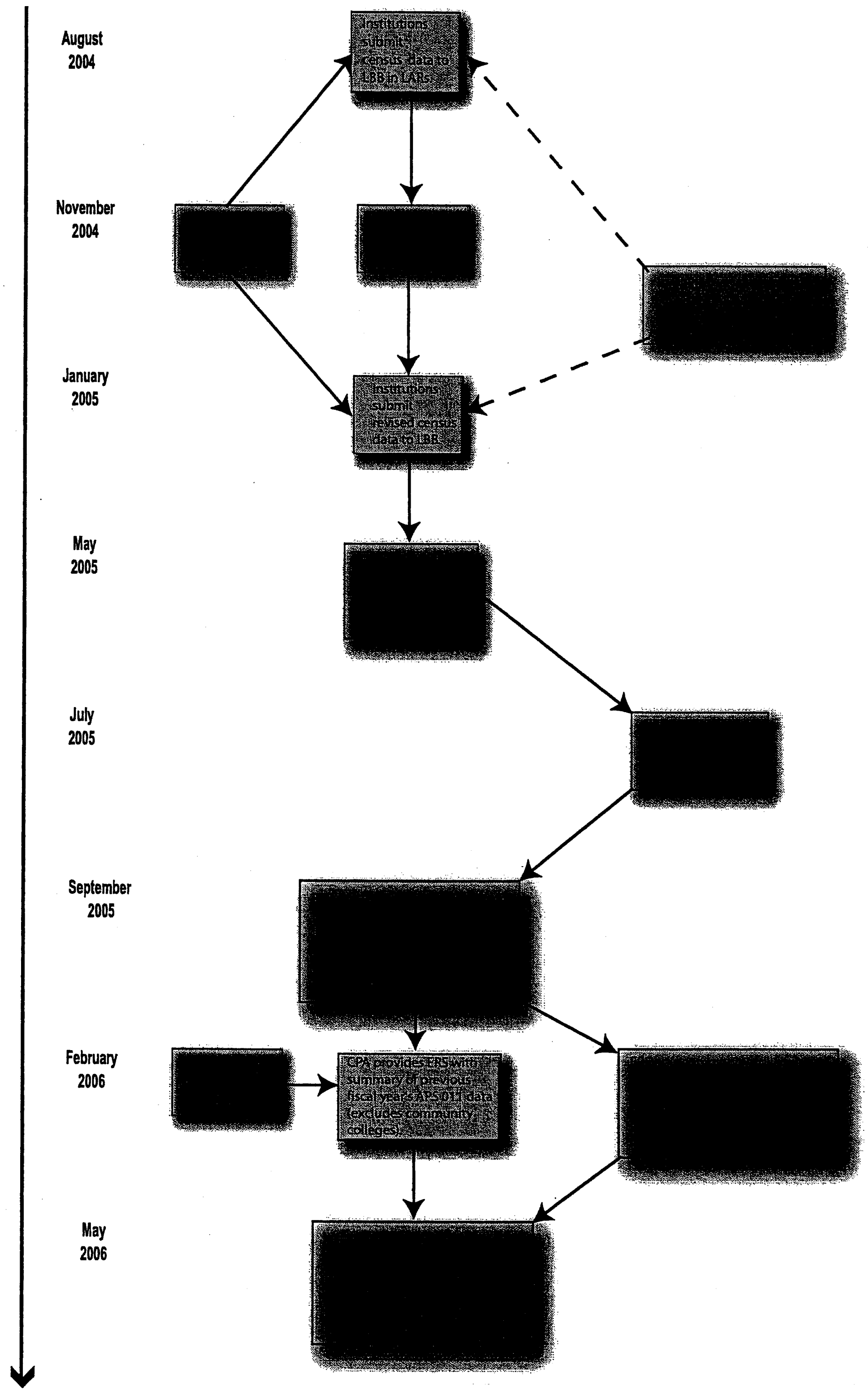
finance. That is, institutions are expected to apply proportionality to their reported enrollment data.

The third point where proportionality is evident occurs toward the end of the yearly budget cycle, when institutions are obligated to submit the Accounting Policy Statement 011 Benefits Proportional by Fund (APS 011) report to the Comptroller of Public Accounts. ERS uses these APS 011 documents to allocate unused state funding among those higher education institutions whose state funding contributions did not pace their actual premiums. The use of APS 011 in this regard provides ERS with an objective means of apportioning unused state health benefits contributions among those institutions complying with proportionality (i. e., using APS 011 as a "settle-up" mechanism).

Instead of using APS 011 as a tool to reallocate unused state funds, in late winter of each year, ERS sends each community college district an email requesting the previous fiscal year's actual amount of premiums that were eligible to be paid from the state's General Revenue Fund. No detail is provided to districts on how to calculate such costs in a standard manner.

ERS uses each under-funded entity's share of the total under-funded amount as the mechanism to allocate the pool of unused state funds. The larger an entity's reported "actual" cost over its appropriated state contribution, the greater the share that entity receives of the reallocated total. While APS 011 compliant entities are subject to a standardized methodology in determining their respective actual costs, community colleges simply report what their state contribution should have been.

**FIGURE 3**
**PROCESS FOR DETERMINING STATE HEALTH BENEFIT CONTRIBUTIONS FOR HIGHER EDUCATION EMPLOYEES**




Source: Legislative Budget Board.

A consequence of this process is community colleges appear to be under-funded to a far greater degree than APS 011 compliant higher education entities, meaning community colleges receive a larger share of unused state funds. Examples of this consequence are summarized in **Figure 4**.

In fiscal year 2005, only four institutions—Texas Tech University, University of Houston, Texas Woman's University and Central Texas College—were over-funded by $3.9 million. The three general academic institutions contributed over 99.9 percent of this over-funding total. Every other higher education entity reported some level of under-funding.

ERS' APS 011 compliant higher education entities constituted about 46.0 percent (or $96.3 million) of the state contribution for ERS' higher education employees. Community colleges composed the remaining portion of the state appropriation (about $113.1 million).

The APS 011 compliant entities reported a total of $4.0 million under-funding, which was about 4.2 percent of their state appropriation. However, for the same year, community colleges reported a total of $25.1 million under-funding, which was about 22.2 percent of their state appropriation. In other words, for fiscal year 2005 community colleges reported to ERS an under-funding level over 530 percent greater than the under-funding level reported by APS 011 compliant higher education entities.

A consequence of this under-funding level between community colleges and APS 011 compliant entities is that ERS' reallocation of funds disproportionately goes toward community colleges. In fiscal year 2005, APS 011 compliant entities provided almost all the $3.9 million for reallocation, of which they received $0.5 million, or about 12.8 percent, while community colleges provided practically no over-funding dollars and absorbed the remaining $3.4 million. Similar results are evident for fiscal years 2003 and 2004.

Because of the disparity in ERS' reallocation methodology, the ERS should be required to separate community colleges into their own category of higher education entities for purposes of reallocation. That is, any unused state contributions among the 50 districts would be reallocated only among the under-funded districts. The unused state funds for the other higher education entities would be first reallocated among themselves to offset under-funded institutions' shortfalls. If any unused funds remain after this reallocation, the balance may be applied to community colleges.

### *IMPLICATIONS FOR STATE FUNDING*

The state can realize savings by applying standardized proportionality to its contributions for community college health benefits. **Figure 5** shows these savings.

**FIGURE 4**
**EMPLOYEES RETIREMENT SYSTEM HIGHER EDUCATION GROUP INSURANCE REALLOCATION (IN MILLIONS)**
**FISCAL YEARS 2003 TO 2005**

| FISCAL YEAR | APS 011 COMPLIANT AND COMMUNITY COLLEGES | HEGI APPROPRIATION TOTAL | OVER-FUNDED AMOUNT | UNDER-FUNDED AMOUNT | PERCENT UNDER-FUNDED | FUNDS REALLOCATED* | PERCENTAGE REALLOCATION FUNDS PROVIDED | PERCENTAGE REALLOCATION DOLLARS RECEIVED |
|---|---|---|---|---|---|---|---|---|
| 2003 | APS 011 Compliant | $107.6 | $4.3 | $2.1 | 2.0% | $0.7 | 91.5% | 14.9% |
| | Community Colleges | 128.9 | 0.4 | 12.2 | 9.5% | 4.0 | 8.5% | 85.1% |
| 2004 | APS 011 Compliant | 95.6 | 3.4 | 3.0 | 3.1% | 0.4 | 100.0% | 11.8% |
| | Community Colleges | 110.1 | | 22.9 | 20.8% | 3.0 | 0.0% | 88.2% |
| 2005 | APS 011 Compliant | 96.3 | 3.9 | 4.0 | 4.2% | 0.5 | 100.0% | 12.8% |
| | Community Colleges | 113.1 | | 25.1 | 22.2% | 3.4 | 0.0% | 87.2% |

*In fiscal year 2004, several institutions opted to UB their unused General Revenue Funds into fiscal year 2005. The total unused amount was $0.4 million.
SOURCE: Legislative Budget Board.

**FIGURE 5**
**ESTIMATED SAVINGS BY APPLYING PROPORTIONALITY (IN MILLIONS)**

| FISCAL YEAR | NO REDUCTION | REDUCTION | DIFFERENCE |
|---|---|---|---|
| 2008 | $154.3 | $127.2 | $27.1 |
| 2009 | $154.3 | $127.2 | $27.1 |
| **Totals** | **$308.6** | **$254.4** | **$54.2** |

SOURCE: Legislative Budget Board.

## FISCAL IMPACT OF RECOMMENDATIONS

Implementing Recommendation 1 would reduce the appropriation of General Revenue Funds to public community colleges' group health insurance contributions by $27.1 million in fiscal year 2008 and $27.1 in fiscal year 2009. The fiscal impact of this recommendation on community colleges would depend on the extent community colleges are brought into compliance with proportionality, and whether some or all of the reductions resulting from any application of proportionality are restored to community colleges in direct formula funding.

Implementing Recommendation 2 would allow ERS institutions of higher education other than community colleges to restore a significant portion of their under-funding for group health insurance. The fiscal impact of this recommendation for community colleges would depend on the dollar value ratio of individual community college districts reporting over-funding to the districts reporting under-funding.

The introduced 2008–09 General Appropriations Bill does not address Recommendations 1 and 2.

# "APPLY PROPORTIONALITY TO STATE CONTRIBUTIONS FOR PUBLIC COMMUNITY COLLEGE EMPLOYEE HEALTH BENEFITS"

**<u>Staff Performance Report to the 79th Legislature</u>, January 2005, Pages 271 – 276**

**Legislative Budget Board Staff**

# APPLY PROPORTIONALITY TO STATE CONTRIBUTIONS FOR PUBLIC COMMUNITY COLLEGE EMPLOYEE HEALTH BENEFITS

The state's requirement that employee benefits be paid in proportion to the funding source of salaries is a major cost-limiting factor in state appropriations. Texas could realize significant savings by applying proportionality to state employee health benefit contributions for public community colleges.

## SIGNIFICANT FINDINGS

- The great majority of Texas public community colleges do not apply proportionality when requesting General Revenue Fund contributions for group health insurance.
- The fiscal year 2003 General Revenue Fund higher education group insurance appropriation for community colleges was over-funded by approximately 38 percent, or $50 million.
- Forty-four of the 50 community college districts were over-funded in excess of at least 15 percent in fiscal year 2003, including all of the 10 largest community college districts.

## SIGNIFICANT CONCERNS

- Texas' public community colleges are the only entities receiving significant amounts of General Revenue Fund appropriations that have not historically adhered to state requirements on proportional cost sharing.
- Through the application of proportional cost sharing standards to community colleges, the state would save an estimated $106 million in General Revenue Funds in fiscal years 2006 and 2007.

## RECOMMENDATIONS

- **Recommendation 1:** By requiring community colleges to follow the same standards of proportional cost sharing as are required of all other entities receiving state appropriations, reduce community colleges' General Revenue Fund appropriations for group health insurance by $106 million in the 2006–07 General Appropriations Bill for higher education group insurance.
- **Recommendation 2:** Revise the Article IX rider language in the 2006–07 General Appropriations Bill to include community colleges among the entities subject to proportionality cost-sharing provisions.
- **Recommendation 3:** A rider should be included in the 2006–07 General Appropriations Bill that directs the Comptroller of Public Accounts to develop a proportionality reporting framework in collaboration with the Legislative Budget Board that addresses community colleges' funding circumstances.
- **Recommendation 4:** A rider should be included in the 2006–07 General Appropriations Bill that directs the Legislative Budget Board to determine whether further savings to the General Revenue Fund may be realized by examining the available data on the state's proportional contributions to community college's optional retirement and teacher's retirement employee benefits.

## COMMENTS

Prior to and during the Seventy-eighth Legislature, Regular Session, 2003, the issue arose whether the state's employee benefits contributions to public community colleges were based on the actual proportional share of salaries at community colleges paid with state funds. The legislature's policy of paying employee benefits costs only for those employees having salaries paid out of the General Revenue Fund remains a major cost-limiting factor in determining state appropriation levels. If there is noncompliance with such proportionality requirements, the state may be contributing General Revenue Funds in excess of its proportional obligation.

Two basic issues emerge when reviewing the applicability of proportionality to the proportional payments of state benefits to community colleges. Current rider language relating to proportionality in Section 6.11, page IX-35 of the 2004–05 General Appropriations Act, reads in part as follows:

**Sec. 6.11 Salaries to Be Proportional by Fund.**

(a) Unless otherwise provided, payment for salaries, wages, and benefits paid from appropriated funds, including "local funds" and "education and general funds" as defined in § 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

(b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries and wages, if the salaries or wages are paid from a source other than the General Revenue Fund.

## COMMUNITY COLLEGES' PERCEPTION OF PROPORTIONALITY REQUIREMENTS

The first issue revolves around whether proportionality applies to community colleges. The phrase, "Unless otherwise provided," in subsection (a) above relates to how community colleges have interpreted state requirements limiting their use of appropriations from the General Revenue Fund.

Education Code § 130.003(c) states that funds appropriated by the state to community colleges, "... shall be used exclusively for the purpose of paying salaries of the instructional and administrative forces of the several institutions and the purchase of supplies and materials for instructional purposes." Furthermore, Public Community/Junior Colleges Rider 3, Approved Elements of Expenditure, page III-214 of the General Appropriations Act, states that General Revenue Fund appropriations to community colleges "shall be limited to the payment of the following elements of cost: instruction, academic support, student services, institutional support, organized activities, and staff benefits associated with salaries paid from General Revenue." There is clear intent in statute and General Appropriations Act language to restrict how community colleges may expend General Revenue Fund appropriations.

While statute defines and limits community colleges' use of General Revenue Funds, it is not clear that this same statute necessarily exempts community colleges from complying with Article IX proportionality requirements. Because statute confines the use of General Revenue Funds for certain instruction and administration-related purposes, this source of funds can bear a disproportional share of salaries paid. But statute does not allow for state contributions to exceed the share of salaries paid through the General Revenue Fund. Thus, while community colleges' statutory restrictions on the use of General Revenue Funds result in the disproportion of salaries paid to fund sources, such restrictions do not preclude the proportionality of state funded benefits to state funded salaries. The issue then becomes how to determine the actual share of total salaries paid with General Revenue Fund appropriations.

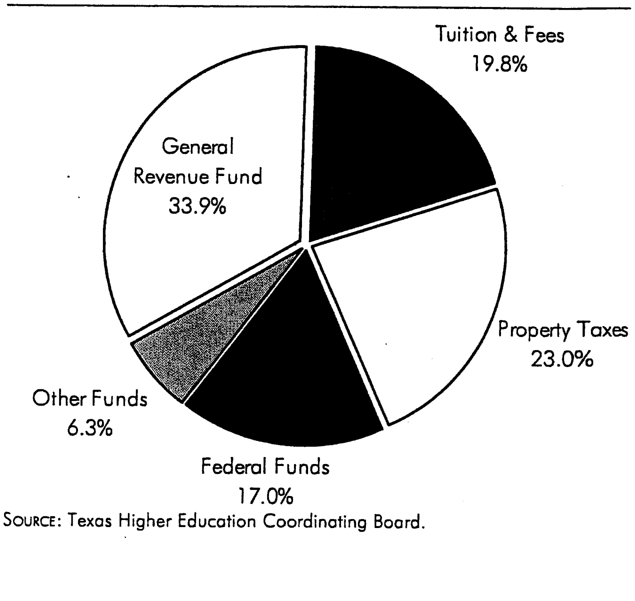
The above statute and rider language have been interpreted to imply that a given employee's eligibility for General Revenue Fund benefits contributions is determined not by the source of the employee's salary, but whether that given employee's job function conforms to one of the above "elements of cost." Under this interpretation, community colleges determine eligibility for state funded benefits according to whether an employee performs occupational functions that are legally eligible to be funded by General Revenue Fund appropriations.

No Texas entities other than community colleges receiving state appropriations use occupational function as a means to determine eligibility for state funded employee benefits contributions. Community colleges have used this method of reporting eligibility since they joined the Employees Retirement System in the early 1990s.

## FUNDING SOURCES AND STRICT PROPORTIONALITY

The second issue to emerge from this review stems from the language in the General Appropriations Act (2004–05 Biennium) Article IX, General Provisions, Section 6.11(a) which states that proportionality applies to "appropriated funds." Of the five funding sources for community colleges (General Revenue Fund, tuition and fees, property taxes, Federal Funds, and Other Funds), the General Revenue Fund is the only revenue source appropriated by the state, unlike the practice for most other institutions of higher education, for which tuition and certain fee revenues are also appropriated. Figure 1 shows the three-year average percent share of each revenue source as a portion of total funding, based on data collected from each community college districts' annual financial report for fiscal years 2001 to 2003.

FIGURE 1
THREE-YEAR (FY 2001–03) AVERAGE OF ALL FUNDS REVENUE FOR COMMUNITY COLLEGES (AFR DATA)




SOURCE: Texas Higher Education Coordinating Board.

The rider language has been interpreted by many community colleges to imply that proportionality requirements do not apply to those funding sources falling outside the state appropriations process. Thus the combination of determining health benefits funding eligibility by occupational function and the longstanding view that proportionality does not apply to their non-appropriated funding sources has resulted in levels of state support for community college employee benefits that are out of proportion to state salary contributions.

A major obstacle in applying standards of proportional cost sharing to community colleges has been the lack of information available to the state regarding the use of community colleges' General Revenue Fund appropriations. Such information is indispensable in determining the extent of community colleges' compliance with state proportionality requirements. For example, while community colleges receive only 34 percent of their total funding from the General Revenue Fund, it does not necessarily follow that community colleges pay only 34 percent of their total salaries from that source.

Given statutory and rider language restricting community colleges' use of their General Revenue Fund appropriations for specific purposes, it may be the case that for practical purposes some community colleges expend all their state funds on salaries. However, prior to this year, community colleges were not required to submit any data to the state that would provide comprehensive information regarding their use of General Revenue Fund appropriations.

A new rider included in the General Appropriations Act (2004–05 Biennium), Rider 15, page III-216 required community colleges to submit a benefits proportional by fund report to the comptroller. These reports provided the legislature with a useful means to determine each community college's total General Revenue Fund income in relation to its total salary expenditures.

## FOUR-STEP METHODOLOGY

Using data collected from each community college's fiscal year 2003 benefits proportional by fund report, this analysis follows a four-step methodology. The first step entails determining the relative share of total salaries paid with the General Revenue Fund. This allows observers to know the upper limit of General Revenue Fund contributions that may be used to pay employee salaries. For purposes of simplicity, this analysis assumes all General Revenue Fund dollars go toward paying the salaries of employees in occupational areas eligible for state contributions from this funding source.

The second step involves determining the actual state-funded and locally-funded portions of each community college's total group insurance plan (GIP) expenditures. The intent is to isolate what portion state contributions are paying of total GIP expenditures. The third step compares the percent of a community college's total salaries paid with the General Revenue Fund to its percent of employee GIP benefits paid with the General Revenue Fund.

The fourth step determines the difference between the share of GIP actually paid with the General Revenue Fund and the share of GIP that would be paid with General Revenue Funds if proportionality were to be applied. We assume that the state's share of employee benefits for each community college must not exceed the share of total salaries paid out of the General Revenue Fund. For example, if a community college pays 51 percent of its total salaries with its General Revenue Fund appropriations, only 51 percent of the college's total GIP should be paid from that source.

Thus, to determine the non-proportional GIP amount for each community college district, this analysis determined the difference between each college's total GIP expenditures as provided by the Employees Retirement System and the share of GIP that should be paid by the General Revenue Fund with the application of standards of proportional cost-sharing normally applied to state agencies. The methodology thus emphasizes sensitivity to the variation in specific degrees of overfunding among the individual community college districts. Figure 2 provides revised group health insurance contributions in light of each community college's degree of overfunding.

## IMPLICATIONS FOR STATE FUNDING

A state funding concern emerges if it is determined that community colleges over-report their enrollment of employees whose salaries are paid with General Revenue Funds. If over one-third of the community colleges' reported enrollment for GIP benefits paid through the General Revenue Fund is not substantiated by the data, the legislature may realize savings by applying some measure of proportionality to how the state funds its contributions toward community college health benefits.

The extent of the savings to the General Revenue Fund may vary depending on how the legislature opts to fund higher education group insurance. For example, assuming adoption of the Legislative Budget Board's recommended funding levels for fiscal years 2006 and 2007, the state would reduce its contribution to the community colleges' group health insurance appropriation by approximately $106.0 million over the biennium. These savings are incorporated into the community college portion of LBB recommendations for higher education group insurance. As is shown in Figure 2, were the community college's group insurance recommendations calculated without consideration of their actual proportional benefits costs, the state's

FIGURE 2
COMMUNITY COLLEGES GROUP INSURANCE:
LBB STAFF RECOMMENDED AND PROPORTIONAL CONTRIBUTION AMOUNTS

| | A | B | C | D |
|---|---|---|---|---|
| | 2006–07 GENERAL REVENUE RECOMMENDED (PRIOR TO PROPORTIONALITY) | PERCENT OF COLUMN 'A' OVER-FUNDED | REVISED 2006–07 GENERAL REVENUE RECOMMENDED A * B | DOLLAR DIFFERENCE A - C |
| Alamo Community College | $22,235,238 | 49.7% | $11,190,146 | $11,045,092 |
| Alvin Community College | $3,005,998 | 40.2% | $1,797,661 | $1,208,337 |
| Amarillo College | $7,367,057 | 37.0% | $4,638,944 | $2,728,113 |
| Angelina College | $2,855,044 | 21.9% | $2,229,401 | $625,643 |
| Austin Community College | $12,453,019 | 54.1% | $5,714,518 | $6,738,501 |
| Blinn College | $5,920,186 | 5.9% | $5,570,011 | $350,175 |
| Brazosport College | $2,598,295 | 34.8% | $1,695,162 | $903,133 |
| Central Texas College | $5,265,438 | 47.9% | $2,742,745 | $2,522,693 |
| Cisco Junior College | $1,614,262 | 8.3% | $1,480,673 | $133,589 |
| Clarendon College | $905,612 | 7.3% | $839,334 | $66,278 |
| Coastal Bend College | $2,593,225 | 20.1% | $2,072,554 | $520,671 |
| College of the Mainland | $3,911,162 | 60.7% | $1,538,332 | $2,372,830 |
| Collin Cty Community College | $6,471,024 | 38.6% | $3,974,072 | $2,496,952 |
| Dallas Cty Community College | $28,581,273 | 38.9% | $17,449,543 | $11,131,730 |
| Del Mar College | $7,365,690 | 58.6% | $3,050,199 | $4,315,491 |
| El Paso Community College | $11,605,007 | 45.3% | $6,349,645 | $5,255,362 |
| Frank Phillips College | $1,032,700 | 31.6% | $706,205 | $326,495 |
| Galveston College | $1,748,789 | 33.8% | $1,158,395 | $590,394 |
| Grayson County College | $2,764,494 | 27.6% | $2,000,357 | $764,137 |
| Hill College | $1,884,228 | 15.6% | $1,590,828 | $293,400 |
| Houston Community College | $18,434,889 | 40.8% | $10,908,873 | $7,526,016 |
| Howard College | $2,980,322 | 1.4% | $2,939,802 | $40,520 |
| Kilgore College | $3,859,016 | 18.5% | $3,145,759 | $713,257 |
| Laredo Junior College | $5,450,076 | 40.4% | $3,249,845 | $2,200,231 |
| Lee College | $3,722,383 | 44.0% | $2,085,737 | $1,636,646 |
| McLennan Community College | $5,636,709 | 39.6% | $3,404,109 | $2,232,600 |
| Midland College | $3,746,837 | 43.5% | $2,115,545 | $1,631,292 |
| Navarro College | $2,762,472 | 21.5% | $2,169,256 | $593,216 |
| North Central Texas College | $2,490,456 | 19.5% | $2,004,169 | $486,287 |
| North Harris Montgomery Community College | $14,514,524 | 38.1% | $8,979,105 | $5,535,419 |
| Northeast Tx Community College | $1,779,351 | 29.6% | $1,252,821 | $526,530 |
| Odessa College | $3,934,721 | 43.3% | $2,232,816 | $1,701,905 |
| Panola College | $1,781,329 | 32.8% | $1,196,221 | $585,108 |
| Paris Junior College | $2,439,649 | 22.0% | $1,902,107 | $537,542 |
| Ranger Junior College | $850,964 | 53.8% | $392,951 | $458,013 |
| San Jacinto College | $13,003,309 | 34.6% | $8,507,763 | $4,495,546 |
| South Plains College | $6,181,330 | 29.8% | $4,337,107 | $1,844,223 |
| South Texas Community Col. | $7,731,697 | 31.9% | $5,265,934 | $2,465,763 |
| Southwest Texas Junior College | $2,646,566 | 40.2% | $1,582,422 | $1,064,144 |
| Tarrant County Junior College | $17,735,083 | 46.3% | $9,532,369 | $8,202,714 |

(CONTINUED ON NEXT PAGE)

FIGURE 2 (CONTINUED)
COMMUNITY COLLEGES GROUP INSURANCE: LBB STAFF RECOMMENDED AND PROPORTIONAL CONTRIBUTION AMOUNTS

| | A 2006–07 GENERAL REVENUE RECOMMENDED (PRIOR TO PROPORTIONALITY) | B PERCENT OF COLUMN 'A' OVER-FUNDED | C REVISED 2006–07 GENERAL REVENUE RECOMMENDED A * B | D DOLLAR DIFFERENCE A - C |
|---|---|---|---|---|
| Temple Junior College | $2,510,555 | 38.9% | $1,533,829 | $976,726 |
| Texarkana College | $3,164,957 | 16.7% | $2,636,578 | $528,379 |
| Texas Southmost College*** | | | | |
| Trinity Valley Community College | $3,089,523 | 9.9% | $2,782,214 | $307,309 |
| Tyler Junior College | $6,416,027 | 25.8% | $4,759,441 | $1,656,586 |
| Vernon Regional Junior College | $1,994,738 | 19.9% | $1,598,671 | $396,067 |
| Victoria College | $2,848,420 | 29.4% | $2,010,672 | $837,748 |
| Weatherford College | $2,515,942 | 37.0% | $1,585,943 | $929,999 |
| Western Texas College | $1,368,374 | 31.2% | $940,775 | $427,599 |
| Wharton County Junior College | $3,373,246 | 31.0% | $2,327,466 | $1,045,780 |
| Total | **$281,141,206** | **37.7%** | **$175,169,025** | **$105,972,181** |

*** Texas Southmost College is excluded from this analysis because the institution's group insurance appropriation is made to The University of Texas System.
SOURCE: Legislative Budget Board.

General Revenue Fund contribution would be approximately $281.1 million. Applying proportional cost-sharing to community colleges would reduce this contribution by approximately 38 percent to $175.2 million for fiscal year 2006–07.

### IMPLICATIONS FOR COMMUNITY COLLEGES

There is a range of possible responses to proportional state contributions for community colleges' health insurance benefits. Community colleges may opt to decline offering health coverage to certain categories of employees altogether. On the other hand, if community colleges prefer to maintain current employee coverage levels they may opt to pay the entire reduced state share using funds other than General Revenue Fund. Options falling between these responses would require a degree of cost sharing between the college and its covered employees. It is possible that some districts may create a separate and less costly health benefits plan to parallel the state plan and provide it to employees determined to be ineligible to receive state funded health benefits contributions.

It is also possible the reduction in state contributions for health benefits to community colleges need not become an absolute reduction to the amount of General Revenue Fund contributions to community colleges. For example, redirecting the savings through the community colleges' funding formula would mitigate the impact of the reduction by raising the state's share of nonrestricted General Revenue Fund appropriations to community colleges. Assuming LBB recommended funding levels for community colleges, this redirection would increase the share of nonrestricted General Revenue Funds appropriated to community colleges by approximately 7 percent.

It should be noted any increase in General Revenue Fund appropriations to the community colleges' funding formula might result in an increase in the total portion of salaries paid out of the General Revenue Fund. Assuming little or no growth in community colleges' other income sources, this potential shift in General Revenue Fund proportionality may increase state costs for future community college group health insurance appropriations.

## FISCAL IMPACT OF THE RECOMMENDATIONS

The fiscal impact information in Figure 3 shows that an overall savings of $106 million in General Revenue Funds for fiscal years 2006 and 2007 would result from the implementation of proportional cost-sharing measures recommended in this report (Recommendation 1).

FIGURE 3
FIVE-YEAR FISCAL IMPACT
APPLY NORMAL STANDARDS OF PROPORTIONAL COST-SHARING TO PUBLIC COMMUNITY COLLEGES' HEALTH INSURANCE APPROPRIATIONS

| FISCAL YEAR | PROBABLE SAVINGS/(COST) TO GENERAL REVENUE FUNDS | PROBABLE SAVINGS/(COST) TO LOCAL FUNDS |
|---|---|---|
| 2006 | $51,318,247 | ($51,318,247) |
| 2007 | $54,653,934 | ($54,653,934) |
| 2008 | $54,653,934 | ($54,653,934) |
| 2009 | $54,653,934 | ($54,653,934) |
| 2010 | $54,653,934 | ($54,653,934) |

SOURCE: Legislative Budget Board.

The savings provided for by Recommendation 1 are incorporated into the introduced 2006–07 General Appropriations Bill. The Article IX rider language revision proposed by Recommendation 2 is incorporated into the introduced 2006–07 General Appropriations Bill. The rider language proposed by Recommendations 3 and 4 regarding the establishment of a proportionality reporting framework and the examination of other state appropriations to community colleges involving proportionality are not included in the introduced 2006–07 General Appropriations Bill.

# "PUBLIC COMMUNITY/JUNIOR COLLEGE EMPLOYEE BENEFIT POLICIES"

**<u>Staff Performance Report to the 75th Legislature</u>, January 1997, Pages 182 – 186**

**Legislative Budget Board Staff**

# PUBLIC COMMUNITY/JUNIOR COLLEGE EMPLOYEE BENEFIT POLICIES

This evaluation focused on two issues involving benefit policies for community college employees, specifically group insurance premiums and proportionality of retirement contributions. Current policy provides a general revenue appropriation for group insurance premiums for all employees paid from general revenue. The appropriation also includes group insurance premiums for physical plant employees, whose salaries are by law funded with locally-held funds. Locally-held funds include tuition and fees, ad valorem tax revenues, auxiliary funds, and federal and other grants.

The implementation of employee benefit proportionality in the 1996-97 General Appropriations Act included a retirement contribution adjustment which, for the community colleges, has been implemented to provide for the reimbursement of retirement contributions made by the colleges for both state-funded and locally-funded non-formula employees. Non-formula employees are those whose functions do not fall within the activities that are funded by the higher education funding formulas.

This review details current policies and practices in the areas of group insurance premiums and retirement contributions, the associated costs to the state and relevant legislation. It also provides options for legislative consideration.

## SIGNIFICANT CONCERNS

The current practice of using general revenue appropriations to fund group insurance premiums for physical plant employees at the community colleges is not based in statute and is inconsistent with other institutions of higher education. Proportionality as applied to the community colleges does not follow two related Article IX provisions in the General Appropriations Act, (Sections 30 and 155) and is inconsistent with other institutions of higher education. This situation results in the benefit costs of some locally-funded higher education employees being reimbursed by the state, while the benefits of others are not.

## POLICY OPTIONS

- The policy relating to group insurance appropriations to the Employees Retirement System for the higher education institutions should be carefully evaluated, and legislation should be considered to formally authorize group insurance contributions to locally-funded employees at community colleges.

- The Legislature should evaluate the proportionality policy and consider requiring community colleges to reimburse the Teacher's Retirement System and the Optional

Retirement Program for the contributions of all employees whose salaries are not actually paid from general revenue. The retirement contribution adjustment amount that is rolled into the funding formulas of two-year institutions would be calculated on the Teacher's Retirement System and Optional Retirement Program contributions of only those employees who are eligible to be paid from general revenue.

## COMMENTS

### Group Insurance

The Uniform Group Insurance Code authorizes general revenue appropriations to the Employees Retirement System (ERS) for the payment of group insurance premiums for employees paid from general revenue funds. This appropriation is supplemented by locally-held funds remitted to ERS by the community colleges to cover the costs of group insurance premiums for employees paid with those funds. For several biennia, there has been a "gentleman's agreement" between the state and community colleges that the general revenue appropriation would include the costs of group insurance premiums for physical plant employees at community colleges who are paid from locally-held funds. These employees do not meet the criteria established in the Uniform Group Insurance Code for whom the state shall pay group insurance premiums. Under current practice, these employees constitute an exception to the statutory requirements for all other agencies and institutions of higher education.

The employees paid with locally-held funds whose group insurance premiums are currently paid with general revenue include physical plant employees and administrative and instructional employees who are *eligible* to be paid with general revenue, but who are paid with locally-held funds. Section 130.003 of the Education Code states that funds appropriated by the state to community colleges shall be used exclusively for the purpose of paying salaries of instructional and administrative staff, supplies and materials. All other costs, including physical plant costs, are to be paid by the college using locally-held funds obtained from tuition, fees, and tax revenues, etc. In addition, the General Appropriations Act, Article IX, Section 30 prohibits general revenue funds from being expended for employee benefit costs associated with the payment of salaries or wages paid from a source other than general revenue.

If group insurance premiums of physical plant and other locally-funded employees are to continue to be funded with general revenue appropriations, legislation should be considered to formally authorize the current policy.

### Costs

Approximately 69.2 percent of community college employees are paid with general revenue appropriations. The remainder are paid with locally-held funds. Under current practice, the state reimburses the colleges for the group insurance premiums of only those locally-funded employees who fall into the categories of administrative and instructional personnel and physical plant employees. The other categories of employees who are paid from locally-held funds, for whom the state does not reimburse, include auxiliary employees and other non-instructional staff. This situation creates an inconsistency in the way benefits are funded among the different categories of locally-funded employees.

In the estimates submitted in the community colleges' Legislative Appropriations Requests for the 1998-99 biennium, physical plant employees represent 8.3 percent of the community college full-time equivalent employees, and the appropriation request for group insurance premiums for those employees is $6,969,469 annually, or approximately $14 million for the 1998-99 biennium.

Continuation of the current practice for funding community college group insurance premiums would require clarification or change to the statutes. If new legislation is written to authorize the payment of group insurance premiums for physical plant employees as in current practice, those employees would have to be distinguished from the other locally-funded non-instructional employees. Alternatively, the current practice of funding could be discontinued, thus reducing general revenue appropriations for group insurance premiums for community colleges by $14 million. The community colleges would have to reimburse this amount from non-state funds. (See Table 1.)

### *Proportionality*

Prior to the Seventy-fourth Legislature, retirement contribution obligations to Teacher's Retirement System or Optional Retirement Program for higher education employees were paid out of general revenue for all administrative and instructional employees whose salaries were eligible to be funded from general revenue. For employees whose salaries were paid with locally-held funds, the retirement contribution obligations were to be paid out of those same funds.

In the General Appropriations Act, (Article IX, Section 155), the Seventy-fourth Legislature mandated that the retirement contribution obligations of higher education institutions to the Teacher's Retirement System and Optional Retirement Program be paid out of the same fund(s) as the employee's salary or wages. Retirement contributions must be paid in the same proportion as the salaries and wages of employees.

Because of the budget impact of the implementation of this rider on the institutions, Article III, Section 34, of the Act, authorized a general revenue appropriation to offset the cost of the proportionality policy in a strategy entitled "Retirement Contribution Adjustment." For the community colleges, this offset was appropriated to the Texas Higher Education Coordinating Board (THECB) for distribution because of the unavailability of data to calculate the amounts that would be due to individual community colleges. Subsequent discussions among representatives from the THECB, the Office of the Comptroller, TRS, the Legislative Budget Board and the Texas Association of Community Colleges resulted in the current implementation of the proportionality rider and the distribution of the retirement contribution adjustment.

In practice, the interpretation of the proportionality policy in relation to the community colleges resulted in the retirement contributions of both general revenue-funded employees and those employees *who are eligible for general revenue funding but paid from locally-held funds* to be paid with general revenue appropriations. The retirement contribution adjustment distribution from the THECB is being used to offset the retirement contributions of all other locally-funded community college employees. Table 1 below illustrates the discrepancy between how the community colleges are using the retirement contribution adjustment and, generally, how it is being used by all other institutions of higher education.

**Table 1**
**Retirement Contribution Source of Funding**

| | Formula-funded Employees (General revenue) | Formula-funded Employees (Local Funds) | Physical Plant Employees | Auxiliary and all Other Employees |
|---|---|---|---|---|
| **Community Colleges** | General revenue appropriation to TRS/ORP | General revenue appropriation to TRS/ORP | General revenue retirement contribution adjustment transfer from THECB | General revenue retirement contribution adjustment transfer from THECB |
| **Other Higher Ed Institutions** | General revenue appropriation to TRS/ORP | General revenue retirement contribution adjustment | Not applicable (Formula funded) | Paid with Institutional Funds |

Source: Legislative Budget Board.

### Costs

The amount of the retirement contribution adjustment transfer, attributable to those community college employees who are non-instructional and are paid with locally held funds, is $4,140,471 for fiscal year 1996, or approximately $8.2 million for the 1996-97 biennium. This amount represents an average of 0.3 percent of a community college's operating budget, or 1 percent of their gross payroll. (See Table 2.)

**Table 2**
**Potential General Revenue Savings for the 1998-99 Biennium**

| | |
|---|---|
| Group Insurance | $ 13,938,938 |
| Retirement Contribution Adjustment | 8,280,942 |
| Total | $ 22,219,880 |

Source: Legislative Budget Board.

To apply the proportionality concept to all higher education institutions evenly, community colleges would need to make retirement contributions to the Teacher's Retirement System and the Optional Retirement Program in the same proportion as the actual funding of salaries and wages. In lieu of a change in practice, legislation should be considered to authorize current practice.

### ***Texas Performance Review***

The Texas Performance Review with the Office of the Comptroller of Public Accounts has addressed both of these higher education benefit funding issues in past reports, recommending in *Breaking the Mold* (ED24), in 1991, that community/junior college physical plant employee benefits be paid from locally-held funds, and in *Gaining Ground* (ED24), in 1995, that the proportionality concept be applied to higher education's retirement programs so that they are not funded entirely from general revenue. Although this second recommendation has been applied to the senior colleges and universities, it has not been applied in the same manner to the community colleges.

# "APPLY THE PROPORTIONALITY CONCEPT TO HIGHER EDUCATION'S RETIREMENT PROGRAMS"

**Gaining Ground: Progress and Reform in State Government, ED 24, 1994**

**Texas Performance Review Staff**

**Gaining Ground**
**Progress and Reform in Texas Government (1994)**

Apply the Proportionality Concept to Higher Education's Retirement Programs )ED24)

The Legislature should apply the proportionality concept to higher education's retirement programs so that they are not funded entirely from general revenue.

Background

The Optional Retirement Program (ORP) was created by the Legislature in 1971 to benefit Texas senior college educators. Membership in the ORP program is limited to administrators and faculty members employed by state-supported institutions of higher education, the Texas Higher Education Coordinating Board, the Commissioner of Higher Education, Texas State Technical College and the Commissioner of Education. Participation is an alternative to the Teacher Retirement System (TRS), which was established in 1937. Benefits in ORP vest after one year versus five years in the TRS.1 Since TRS' and ORP's inception, and for no readily apparent reason, the state general revenue fund has paid all of higher education's share of both programs' retirement benefit.

The fact that the state pays for all of TRS' and ORP's retirement benefit out of the General Revenue Fund runs counter to Article V, Section 67 of the General Appropriations Act, which states that "payment for salaries, wages and benefits (emphasis added) paid from appropriated funds, including local funds and education and general funds...shall be proportional to the source of funds."2 Other state agencies, which participate in the Employees Retirement System, must pay all fringe benefit costs, including retirement from the salary paying fund.

Unlike state agencies, universities are able to draw on several different sources of revenue to pay for salaries and operations: appropriated educational and general (E&G) funds, which come from general revenue and locally generated funds, and institutional funds. E&G funds, used for general operations, fall into two major subcategories. "E&G-State General Revenue" is the largest single revenue category for most institutions of higher education and typically represents legislative appropriations. "E&G-Local" funds come from student tuition and fee revenues, indirect cost recovery from external sources for sponsored research projects and other miscellaneous sources. E&G-State General Revenue funds and most E&G-Local funds are maintained as accounts within the State Treasury.

Unlike ORP's and TRS' benefits, costs such as Old Age and Survivors Insurance (OASI) and group insurance are paid proportionally according to funding source by all state agencies, including higher education institutions. Moreover, Sections 830.203 (b) and 825.407 (a)(3) of the Government Code require all senior colleges and universities to reimburse the state from non- "educational and general funds" for state contributions based on the portion of the ORP or TRS participant's salary that is paid from those funds. However, there is no reimbursement provision for colleges and universities for any portion of the ORP or TRS participant's salary that is paid from educational and general funds.

## Recommendation

The Legislature should require higher education institutions to contribute from their Education and General-Local funds to the Optional Retirement Program (ORP) and Teacher Retirement System (TRS) in the same proportion as salaries that are paid from these funds.

This would ensure that fringe-benefit costs are distributed fairly and equitably according to the source of funds for all state agencies.

## Implications

Senior colleges and universities may oppose the recommendation because it would reduce educational and general funds available for their use. Consistent treatment of fringe benefit costs being paid from the salary paying fund would allow more equal treatment of all agencies. Compliance with the appropriation act requirements would be enhanced and a greater degree of fund equity would result. Thus all sources of revenues outside the general revenue fund would fully pay for the entire costs attributed to the fund and revenue source. For example, private grants and other revenues would no longer be an extra drain on the general revenue fund.

## Fiscal Impact

The E&G-Local fund's proportion of an institution's appropriation is taken from reports submitted to the Comptroller's office by higher education institutions and agencies. When these reports were not available, an estimated percent was calculated by dividing the E&G-Local revenue amount by the total appropriation to the college or university. The total ORP estimated cost for each institution was multiplied by the estimated proportion of E&G-Local funds. The E&G-Local share for TRS was calculated from the estimated non-general revenue portion of higher education appropriations and reduced to account for private and federal fund contributions.

This recommendation would result in a reduction in education and general funding for higher education institutions unless the Legislature chooses to appropriate additional general revenue funds to compensate higher education institutions for the loss in E&G-Local funds.

Note: If the other recommendations contained in this report to lower the state's contribution rates are adopted, the savings of this recommendation would decrease by $17.2 million for the 1996-97 biennium.

| Fiscal Year | Gain/(Loss) to the General Accounts Revenue Fund | Gain/(Loss) to University Operating in the General Revenue Fund | Gain/(Loss) to Junior Colleges' Operating Funds |
|---|---|---|---|
| 1996 | $62,900,000 | ($50,000,000) | ($12,900,000) |
| 1997 | 62,900,000 | (50,000,000) | (12,900,000) |
| 1998 | 62,900,000 | (50,000,000) | (12,900,000) |
| 1999 | 62,900,000 | (50,000,000) | (12,900,000) |
| 2000 | 62,900,000 | (50,000,000) | (12,900,000) |

1 V.T.C.A., Government Code 830.002.

2 Texas S.B. 5, 73rd Leg., Reg. Sess. (1993).

**"REQUIRE PUBLIC COMMUNITY/JUNIOR COLLEGES TO PAY ALL PHYSICAL PLANT EMPLOYEE BENEFITS FROM LOCAL FUNDS"**

**<u>Breaking the Mold: New Ways to Govern Texas</u>, ED 24, 1991**

**Texas Performance Review Staff**

# Breaking the Mold: New Ways to Govern Texas, ED 24, 1991

## Require Public Community/Junior Colleges to Pay all Physical Plant Employee Benefits from Local Funds

Background

Community/junior colleges operations are funded by a combination of state appropriations and locally-generated funds. They are to use local funds for physical plant costs such as salaries, wages, supplies, materials, equipment, services, and other expenses necessary for the upkeep of the physical plant, security, and maintenance. The colleges are required to "levy and collect ad valorem taxes as provided by law for the operation and maintenance of the public junior college." They also generate additional local funds through the collection of tuition and fees from their students.

The state supplements the local funds collected by the colleges with General Revenue Fund appropriations. The Texas Education Code states "all funds allocated under the provisions of this code...shall be used exclusively for the purpose of paying salaries of the *instructional* and *administrative* forces of the several institutions and the purchase of supplies and materials for instructional purposes."(emphasis added)[1] Since there are no other provisions in the code which would otherwise authorize payment, state appropriations for physical plant expenses are not allowed. However, local funds are being used to pay physical plant employees' salaries, and state funds are being used to pay some benefits such as:

* Group health insurance premiums--State appropriations for staff group insurance premiums are being spent for physical plant employees.

* Retirement--All physical plant employees of the colleges participate in the Teachers Retirement System (TRS). The state contributes General Revenue Funds of 7.65 percent of the employees' salary to TRS.[2]

The community/junior colleges should pay for both physical plant employee salaries and benefits from local funds, and the practice of paying for benefits with state funds should be discontinued.

Recommended Policy

**Community/junior colleges should pay all future physical plant employee benefits, such as group health insurance premiums and retirement benefits, with local funds.** A phase-in period is not recommended.

Implications

**Advantages.** The colleges will be in compliance with the statutory requirement to provide for the operation and maintenance of the college's physical plant with local funds.

The lack of state funding for physical plant employee benefits could encourage the colleges to consider more efficient ways of maintaining the physical plant, i.e., contractors or part-time employees.

**Disadvantages.** The colleges will have to use local funds to provide the state-mandated benefits, adding to the local fiscal burden.

Fiscal Implications

**Insurance.** The colleges are requesting $5,611,980 for physical plant employees group insurance premiums for fiscal year 1992. Based on the recommended current service budget, the state funding levels would equal approximately $4,327,000. Assuming a constant level of employees in the physical plant, the savings to the state for the five fiscal years of 1992 through 1996 will be approximately $21,635,000.

**Retirement.** The state's contribution to Teachers Retirement System on behalf of physical plant employees is estimated to be $2,736,000 in fiscal year 1992. This was calculated based on 2,375 physical plant employees, as reported by the colleges in their 1992-1993 legislative appropriations requests, and an assumption of an average salary of $15,000. Assuming a constant level of employees, the savings to the state for the five fiscal years of 1992 through 1996 will be approximately $13,680,000.

Fiscal Savings to the Change in

| Year | General Revenue Fund | FTEs |
|---|---|---|
| 1992 | $7,063,000 | 0 |
| 1993 | 7,063,000 | 0 |
| 1994 | 7,063,000 | 0 |
| 1995 | 7,063,000 | 0 |
| 1996 | 7,063,000 | 0 |