

BILL SUMMARY

2nd Session of the 53rd Legislature

Bill No.:	HB 3053
Version:	CCR A
Request Number:	10462
Author:	Mr. Speaker
Date:	5/22/2012
Impact:	Office of State Finance: Continuation of Consolidation Estimated Cost Savings FY-13: 6.5 Million

**Potential Savings from
Benefit Allowance Freeze:**

**State Agency Savings:
FY-13 \$8.5 million
FY-14 \$25.8 million
FY-15 \$43.6 million**

Research Analysis

Pending

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Prepared By: "Click and type"

Fiscal Analysis

The measure includes many provisions in continuance of the consolidation of the agencies brought forth by HB 2140 (2011). Included in the provisions are the transfer of funds, stating of duties and changing the name of the Office of State Finance to the Office of Management and Enterprise Services (OEMS). By providing a continued framework for the consolidation the agency has estimated a potential savings of approximately \$6.5 million in FY-13 (from a prior progress report). The agency is striving for additional administrative savings as the economies from the consolidation are realized.

The measure also includes provisions modifying the basis for employee benefits allowances.

Benefit Allowance Freeze:

The measure states that for future plan years the flexible benefit allowance (FBA) shall be the 2012 FBA equivalent or the applicable HealthChoice High premium, whichever is greater. The current 5 year average growth rate of Health Choice High premiums is approximately 4.43 % per year; meaning that it is unlikely the HealthChoice High premium rates would surpass the 2012 FBA until Plan Year 2017. The Section effectively freezes the state employee FBA at Plan Year 2012 levels, until 2017.

For the 2012 plan year the total FBA expense for state agencies is estimated to be approximately \$445 million. Assuming state employment demographics do not experience a material change, the measure would eliminate growth of the FBA expense for state agencies. Under current law the FBA is recalculated annually and subject to growth related to insurance premium inflation. Over the last 4 years, a weighted analysis of FBA inflation showed an annual growth of approximately 3.8%. Assuming the current FBA calculation, which the state agency payout is based, is growing at an approximate annual rate of 3.8%, the measure's FBA freeze allows state agencies to realize estimated annual cost savings of \$8.5 million in FY-13, \$25.8 million in FY-14, and \$43.6 million in FY-15.

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Other Considerations

None indicated.