HB3413

LRB09707125JDS47225b

97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB3413

Introduced 2/24/2011, by Rep. Roger L. Eddy

SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.5
30 ILCS 187/1-40 new
35 ILCS 5/201.5

Amends the State Employees Group Insurance Act of 1971. Provides that neither the Teacher Health Insurance Security Fund nor moneys that are to be transferred from the General Revenue Fund into the Teacher Health Insurance Security Fund are subject to provisions in the Emergency Budget Act or provisions of the Illinois Income Tax Act authorizing the Governor to set aside reserves. Amends the Illinois Income Tax Act and the Emergency Budget Act of Fiscal Year 2011 to make conforming changes. Effective immediately.

LRB097 07125 JDS 47225 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

AN ACT concerning finance.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The State Employees Group Insurance Act of 1971 is amended by changing Section 6.5 as follows:

(5 ILCS 375/6.5)

Sec. 6.5. Health benefits for TRS benefit recipients and TRS dependent beneficiaries.

(a) Purpose. It is the purpose of this amendatory Act of 1995 to transfer the administration of the program of health benefits established for benefit recipients and their dependent beneficiaries under Article 16 of the Illinois Pension Code to the Department of Central Management Services.

(b) Transition provisions. The Board of Trustees of the Teachers' Retirement System shall continue to administer the health benefit program established under Article 16 of the Illinois Pension Code through December 31, 1995. Beginning January 1, 1996, the Department of Central Management Services shall be responsible for administering a program of health benefits for TRS benefit recipients and TRS dependent beneficiaries under this Section. The Department of Central Management Services and the Teachers' Retirement System shall cooperate in this endeavor and shall coordinate their activities so as to ensure a smooth transition and uninterrupted health benefit coverage.

(c) Eligibility. All persons who were enrolled in the Article 16 program at the time of the transfer shall be eligible to participate in the program established under this Section without any interruption or delay in coverage or limitation as to pre-existing medical conditions. Eligibility to participate shall be determined by the Teachers' Retirement System. Eligibility information shall be communicated to the Department of Central Management Services in a format acceptable to the Department.

A TRS dependent beneficiary who is an unmarried child age 19 or over and mentally or physically disabled does not become ineligible to participate by reason of (i) becoming ineligible to be claimed as a dependent for Illinois or federal income tax purposes or (ii) receiving earned income, so long as those earnings are insufficient for the child to be fully self-sufficient.

(d) Coverage. The level of health benefits provided under this Section shall be similar to the level of benefits provided by the program previously established under Article 16 of the Illinois Pension Code.

Group life insurance benefits are not included in the benefits to be provided to TRS benefit recipients and TRS dependent beneficiaries under this Act.

The program of health benefits under this Section may include any or all of the benefit limitations, including but not limited to a reduction in benefits based on eligibility for federal medicare benefits, that are provided under subsection (a) of Section 6 of this Act for other health benefit programs under this Act.

(e) Insurance rates and premiums. The Director shall determine the insurance rates and premiums for TRS benefit recipients and TRS dependent beneficiaries, and shall present to the Teachers' Retirement System of the State of Illinois, by April 15 of each calendar year, the rate-setting methodology (including but not limited to utilization levels and costs) used to determine the amount of the health care premiums.

For Fiscal Year 1996, the premium shall be equal to the premium actually charged in Fiscal Year 1995; in subsequent years, the premium shall never be lower than the premium charged in Fiscal Year 1995.

For Fiscal Year 2003, the premium shall not exceed 110% of the premium actually charged in Fiscal Year 2002.

For Fiscal Year 2004, the premium shall not exceed 112% of the premium actually charged in Fiscal Year 2003.

For Fiscal Year 2005, the premium shall not exceed a weighted average of 106.6% of the premium actually charged in Fiscal Year 2004.

For Fiscal Year 2006, the premium shall not exceed a weighted average of 109.1% of the premium actually charged in Fiscal Year 2005.

For Fiscal Year 2007, the premium shall not exceed a weighted average of 103.9% of the premium actually charged in Fiscal Year 2006.

For Fiscal Year 2008 and thereafter, the premium in each fiscal year shall not exceed 105% of the premium actually charged in the previous fiscal year.

Rates and premiums may be based in part on age and eligibility for federal medicare coverage. However, the cost of participation for a TRS dependent beneficiary who is an unmarried child age 19 or over and mentally or physically disabled shall not exceed the cost for a TRS dependent beneficiary who is an unmarried child under age 19 and participates in the same major medical or managed care program.

The cost of health benefits under the program shall be paid as follows:

(1) For a TRS benefit recipient selecting a managed care program, up to 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund. Effective with Fiscal Year 2007 and thereafter, for a TRS benefit recipient selecting a managed care program, 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund.

(2) For a TRS benefit recipient selecting the major medical coverage program, up to 50% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is accessible, as

determined by the Teachers' Retirement System. Effective with Fiscal Year 2007 and thereafter, for a TRS benefit recipient selecting the major medical coverage program, 50% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is accessible, as determined by the Department of Central Management Services.

(3) For a TRS benefit recipient selecting the major medical coverage program, up to 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is not accessible, as determined by the Teachers' Retirement System. Effective with Fiscal Year 2007 and thereafter, for a TRS benefit recipient selecting the major medical coverage program, 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is not accessible, as determined by the Department of Central Management Services.

(3.1) For a TRS dependent beneficiary who is Medicare primary and enrolled in a managed care plan, or the major medical coverage program if a managed care plan is not available, 25% of the total insurance rate shall be paid from the Teacher Health Security Fund as determined by the Department of Central Management Services. For the purpose of this item (3.1), the term "TRS dependent beneficiary who is Medicare primary" means a TRS dependent beneficiary who is participating in Medicare Parts A and B.

(4) Except as otherwise provided in item (3.1), the balance of the rate of insurance, including the entire premium of any coverage for TRS dependent beneficiaries that has been elected, shall be paid by deductions authorized by the TRS benefit recipient to be withheld from his or her monthly annuity or benefit payment from the Teachers' Retirement System; except that (i) if the balance of the cost of coverage exceeds the amount of the monthly annuity or benefit payment, the difference shall be paid directly to the Teachers' Retirement System by the TRS benefit recipient, and (ii) all or part of the balance of the cost of coverage may, at the school board's option, be paid to the Teachers' Retirement System by the school board of the school district from which the TRS benefit recipient retired, in accordance with Section 10-22.3b of the School Code. The Teachers' Retirement System shall promptly deposit all moneys withheld by or paid to it under this subdivision (e)(4) into the Teacher Health Insurance Security Fund. These moneys shall not be considered assets of the Retirement System.

(f) Financing. Beginning July 1, 1995, all revenues arising from the administration of the health benefit programs established under Article 16 of the Illinois Pension Code or this Section shall be deposited into the Teacher Health Insurance Security Fund, which is hereby created as a nonappropriated trust fund to be held outside the State Treasury, with the State Treasurer as custodian. Any interest earned on moneys in the Teacher Health Insurance Security Fund shall be deposited into the Fund.

Moneys in the Teacher Health Insurance Security Fund shall be used only to pay the costs of the health benefit program established under this Section, including associated administrative costs, and the costs associated with the health benefit program established under Article 16 of the Illinois Pension Code, as authorized in this Section. Beginning July 1, 1995, the Department of Central Management Services may make expenditures from the Teacher Health Insurance Security Fund for those costs.

After other funds authorized for the payment of the costs of the health benefit program established under Article 16 of the Illinois Pension Code are exhausted and until January 1, 1996 (or such later date as may be agreed upon by the Director of Central Management Services and the Secretary of the Teachers' Retirement System), the Secretary of the Teachers' Retirement System may make expenditures from the Teacher Health Insurance Security Fund as necessary to pay up to 75% of the cost of providing health coverage to eligible benefit recipients (as defined in Sections 16-153.1 and 16-153.3 of the Illinois Pension Code) who are enrolled in the Article 16 health benefit program and to facilitate the transfer of administration of the health benefit program to the Department of Central Management Services.

The Department of Healthcare and Family Services, or any successor agency designated to procure healthcare contracts pursuant to this Act, is authorized to establish funds, separate accounts provided by any bank or banks as defined by the Illinois Banking Act, or separate accounts provided by any savings and loan association or associations as defined by the Illinois Savings and Loan Act of 1985 to be held by the Director, outside the State treasury, for the purpose of receiving the transfer of moneys from the Teacher Health Insurance Security Fund. The Department may promulgate rules further defining the methodology for the transfers. Any interest earned by moneys in the funds or accounts shall inure to the Teacher Health Insurance Security Fund. The transferred moneys, and interest accrued thereon, shall be used exclusively for transfers to administrative service organizations or their financial institutions for payments of claims to claimants and providers under the self-insurance health plan. The transferred moneys, and interest accrued thereon, shall not be used for any other purpose including, but not limited to, reimbursement of administration fees due the administrative service organization pursuant to its contract or contracts with the Department.

Notwithstanding any other provision of law, neither the Teacher Health Insurance Security Fund nor moneys that are to be deposited into that Fund under subsection (d) of Section 6.6

of this Act are subject to the Emergency Budget Act or to Section 201.5 of the Illinois Income Tax Act.

(g) Contract for benefits. The Director shall by contract, self-insurance, or otherwise make available the program of health benefits for TRS benefit recipients and their TRS dependent beneficiaries that is provided for in this Section. The contract or other arrangement for the provision of these health benefits shall be on terms deemed by the Director to be in the best interest of the State of Illinois and the TRS benefit recipients based on, but not limited to, such criteria as administrative cost, service capabilities of the carrier or other contractor, and the costs of the benefits.

(g-5) Committee. A Teacher Retirement Insurance Program Committee shall be established, to consist of 10 persons appointed by the Governor.

The Committee shall convene at least 4 times each year, and shall consider and make recommendations on issues affecting the program of health benefits provided under this Section. Recommendations of the Committee shall be based on a consensus of the members of the Committee.

If the Teacher Health Insurance Security Fund experiences a deficit balance based upon the contribution and subsidy rates established in this Section and Section 6.6 for Fiscal Year 2008 or thereafter, the Committee shall make recommendations for adjustments to the funding sources established under these Sections.

(h) Continuation of program. It is the intention of the General Assembly that the program of health benefits provided under this Section be maintained on an ongoing, affordable basis.

The program of health benefits provided under this Section may be amended by the State and is not intended to be a pension or retirement benefit subject to protection under Article XIII, Section 5 of the Illinois Constitution.

(i) Repeal. (Blank).

(Source: P.A. 95-632, eff. 9-25-07.)

Section 10. The Emergency Budget Act of Fiscal Year 2011 is amended by adding Section 1-40 as follows:

(30 ILCS 187/1-40 new)

Sec. 1-40. Teacher Health Insurance Security Fund; exemption. Notwithstanding any other provision of this Act, this Act does not apply to the Teacher Health Insurance Security Fund.

Section 15. The Illinois Income Tax Act is amended by changing Section 201.5 as follows:

(35 ILCS 5/201.5)

Sec. 201.5. State spending limitation and tax reduction.

(a) If, beginning in State fiscal year 2012 and continuing through State fiscal year 2015, State spending for any fiscal year exceeds the State spending limitation set forth in subsection (b) of this Section, then the tax rates set forth in subsection (b) of Section 201 of this Act shall be reduced, according to the procedures set forth in this Section, to 3% of the taxpayer's net income for individuals, trusts, and estates and to 4.8% of the taxpayer's net income for corporations. For all taxable years following the taxable year in which the rate has been reduced pursuant to this Section, the tax rate set forth in subsection (b) of Section 201 of this Act shall be 3% of the taxpayer's net income for individuals, trusts, and estates and 4.8% of the taxpayer's net income for corporations.

(b) The State spending limitation for fiscal years 2012 through 2015 shall be as follows: (i) for fiscal year 2012, $36,818,000,000; (ii) for fiscal year 2013, $37,554,000,000; (iii) for fiscal year 2014, $38,305,000,000; and (iv) for fiscal year 2015, $39,072,000,000.

(c) Nothwithstanding any other provision of law to the contrary, the Auditor General shall examine each Public Act authorizing State spending from State general funds and prepare a report no later than 30 days after receiving notification of the Public Act from the Secretary of State or 60 days after the effective date of the Public Act, whichever is earlier. The Auditor General shall file the report with the Secretary of State and copies with the Governor, the State Treasurer, the State Comptroller, the Senate, and the House of

Representatives. The report shall indicate: (i) the amount of State spending set forth in the applicable Public Act; (ii) the total amount of State spending authorized by law for the applicable fiscal year as of the date of the report; and (iii) whether State spending exceeds the State spending limitation set forth in subsection (b). The Auditor General may examine multiple Public Acts in one consolidated report, provided that each Public Act is examined within the time period mandated by this subsection (c). The Auditor General shall issue reports in accordance with this Section through June 30, 2015 or the effective date of a reduction in the rate of tax imposed by subsections (a) and (b) of Section 201 of this Act pursuant to this Section, whichever is earlier.

At the request of the Auditor General, each State agency shall, without delay, make available to the Auditor General or his or her designated representative any record or information requested and shall provide for examination or copying all records, accounts, papers, reports, vouchers, correspondence, books and other documentation in the custody of that agency, including information stored in electronic data processing systems, which is related to or within the scope of a report prepared under this Section. The Auditor General shall report to the Governor each instance in which a State agency fails to cooperate promptly and fully with his or her office as required by this Section.

The Auditor General's report shall not be in the nature of a post-audit or examination and shall not lead to the issuance of an opinion as that term is defined in generally accepted government auditing standards.

(d) If the Auditor General reports that State spending has exceeded the State spending limitation set forth in subsection (b) and if the Governor has not been presented with a bill or bills passed by the General Assembly to reduce State spending to a level that does not exceed the State spending limitation within 45 calendar days of receipt of the Auditor General's report, then the Governor may, for the purpose of reducing State spending to a level that does not exceed the State spending limitation set forth in subsection (b), designate amounts to be set aside as a reserve from the amounts appropriated from the State general funds for all boards, commissions, agencies, institutions, authorities, colleges, universities, and bodies politic and corporate of the State, but not other constitutional officers, the legislative or judicial branch, the office of the Executive Inspector General, or the Executive Ethics Commission. Such a designation must be made within 15 calendar days after the end of that 45-day period. If the Governor designates amounts to be set aside as a reserve, the Governor shall give notice of the designation to the Auditor General, the State Treasurer, the State Comptroller, the Senate, and the House of Representatives. The amounts placed in reserves shall not be transferred, obligated, encumbered, expended, or otherwise committed unless so authorized by law. Any amount placed in reserves is not State spending and shall not be considered when calculating the total amount of State spending. Any Public Act authorizing the use of amounts placed in reserve by the Governor is considered State spending, unless such Public Act authorizes the use of amounts placed in reserves in response to a fiscal emergency under subsection (g).

(e) If the Auditor General reports under subsection (c) that State spending has exceeded the State spending limitation set forth in subsection (b), then the Auditor General shall issue a supplemental report no sooner than the 61st day and no later than the 65th day after issuing the report pursuant to subsection (c). The supplemental report shall: (i) summarize details of actions taken by the General Assembly and the Governor after the issuance of the initial report to reduce State spending, if any, (ii) indicate whether the level of State spending has changed since the initial report, and (iii) indicate whether State spending exceeds the State spending limitation. The Auditor General shall file the report with the Secretary of State and copies with the Governor, the State Treasurer, the State Comptroller, the Senate, and the House of Representatives. If the supplemental report of the Auditor General provides that State spending exceeds the State spending limitation, then the rate of tax imposed by subsections (a) and (b) of Section 201 is reduced as provided in this Section beginning on the first day of the first month to occur not less than 30 days after issuance of the supplemental report.

(f) For any taxable year in which the rates of tax have been reduced under this Section, the tax imposed by subsections (a) and (b) of Section 201 shall be determined as follows:

(1) In the case of an individual, trust, or estate, the tax shall be imposed in an amount equal to the sum of (i) the rate applicable to the taxpayer under subsection (b) of Section 201 (without regard to the provisions of this Section) times the taxpayer's net income for any portion of the taxable year prior to the effective date of the reduction and (ii) 3% of the taxpayer's net income for any portion of the taxable year on or after the effective date of the reduction.

(2) In the case of a corporation, the tax shall be imposed in an amount equal to the sum of (i) the rate applicable to the taxpayer under subsection (b) of Section 201 (without regard to the provisions of this Section) times the taxpayer's net income for any portion of the taxable year prior to the effective date of the reduction and (ii) 4.8% of the taxpayer's net income for any portion of the taxable year on or after the effective date of the reduction.

(3) For any taxpayer for whom the rate has been reduced under this Section for a portion of a taxable year, the taxpayer shall determine the net income for each portion of the taxable year following the rules set forth in Section

202.5 of this Act, using the effective date of the rate reduction rather than the January 1 dates found in that Section, and the day before the effective date of the rate reduction rather than the December 31 dates found in that Section.

(4) If the rate applicable to the taxpayer under subsection (b) of Section 201 (without regard to the provisions of this Section) changes during a portion of the taxable year to which that rate is applied under paragraphs (1) or (2) of this subsection (f), the tax for that portion of the taxable year for purposes of paragraph (1) or (2) of this subsection (f) shall be determined as if that portion of the taxable year were a separate taxable year, following the rules set forth in Section 202.5 of this Act. If the taxpayer elects to follow the rules set forth in subsection (b) of Section 202.5, the taxpayer shall follow the rules set forth in subsection (b) of Section 202.5 for all purposes of this Section for that taxable year.

(g) Notwithstanding the State spending limitation set forth in subsection (b) of this Section, the Governor may declare a fiscal emergency by filing a declaration with the Secretary of State and copies with the State Treasurer, the State Comptroller, the Senate, and the House of Representatives. The declaration must be limited to only one State fiscal year, set forth compelling reasons for declaring a fiscal emergency, and request a specific dollar amount. Unless, within 10 calendar days of receipt of the Governor's declaration, the State Comptroller or State Treasurer notifies the Senate and the House of Representatives that he or she does not concur in the Governor's declaration, State spending authorized by law to address the fiscal emergency in an amount no greater than the dollar amount specified in the declaration shall not be considered "State spending" for purposes of the State spending limitation. <u>The Governor may not, however, take any action that reduces the amount transferred from the General Revenue Fund to the Teacher Health Insurance Security Fund under subsection (d) of Section 6.6 of the State Employees Group Insurance Act of 1971.</u>

(h) As used in this Section:

"State general funds" means the General Revenue Fund, the Common School Fund, the General Revenue Common School Special Account Fund, the Education Assistance Fund, and the Budget Stabilization Fund.

"State spending" means (i) the total amount authorized for spending by appropriation or statutory transfer from the State general funds in the applicable fiscal year, and (ii) any amounts the Governor places in reserves in accordance with subsection (d) that are subsequently released from reserves following authorization by a Public Act. For the purpose of this definition, "appropriation" means authority to spend money from a State general fund for a specific amount, purpose, and time period, including any supplemental appropriation or continuing appropriation, but does not include reappropriations from a previous fiscal year. For the purpose of this definition, "statutory transfer" means authority to transfer funds from one State general fund to any other fund in the State treasury, but does not include transfers made from one State general fund to another State general fund.

"State spending limitation" means the amount described in subsection (b) of this Section for the applicable fiscal year.

(Source: P.A. 96-1496, eff. 1-13-11.)

Section 99. Effective date. This Act takes effect upon becoming law.