

January 25, 2012

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Statehouse, Room 351-S
Topeka, Kansas 66612

Dear Representative Rhoades:

SUBJECT: Fiscal Note for HB 2466 by Representative Grant

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2466 is respectfully submitted to your committee.

HB 2466 would allow an officer or employee of the Executive Branch of the state who retired on or after January 10, 2011, and before August 2, 2011, to elect one of the following:

1. To continue group health insurance at the same rate and plan in which the retiree was enrolled at the date of retirement. A retiree electing to receive group health insurance would receive up to 60 months of coverage, if receiving member-only coverage, or until the retiree reaches the age of 65, whichever comes first. A retiree would receive up to 42 months of coverage, if the retiree is receiving member-plus-dependent coverage, or until the retiree reaches the age of 65, whichever occurs first; or
2. The retiree could elect to receive a one-time, lump-sum payment of \$6,500, which would not be included for the purposes of calculating the final average salary under KSA 74-4902.

HB 2466 specifies that retirees covered under KSA 74-4914a through KSA 74-4914e, those covered under the Kansas Police and Firemen's Retirement System, retirees from the Kansas Department of Labor whose positions are not funded by the State General Fund or fee funds, and retirees who had retired from the State of Kansas before January 10, 2011, would not be eligible to participate in the election.

The bill would require the Secretary of Administration to administer the program. Any eligible retiree would be required to inform the Secretary of the retiree's election option within 90 days of the effective date of HB 2466. The election would be a one-time irrevocable election. A retiree who fails to make an election within the 90-day period would forfeit any rights to either option. The bill provides that any retiree who makes an election would not be eligible to return

The Honorable Marc Rhoades, Chairperson

January 25, 2012

Page 2—2466

to employment with the State of Kansas for five years from the date of election, including, as a contractor, unless otherwise authorized by the Governor or Governor's designee. The bill specifies that this restriction would not apply to elected positions. HB 2466 would take effect upon its publication in the *Kansas Register*.

According to the Department of Administration, there were 655 retirees that are recorded as having retired between January 1, 2011, and August 1, 2011. Of that number, 394 would be eligible to make an election as provided in HB 2466. The Department is unable to estimate a fiscal effect of this legislation since there are two options for retirees to choose from and the Department has no way of knowing how many retirees would choose each option. Furthermore, with the option of continued health coverage, the cost of the incentive is dependent on the type of coverage that the retiree would receive, as well as the age of the retiree. The Department also states that HB 2466 is not clear as to when continued health coverage would begin for retirees who elect that option. There would be different estimates if the intent of the bill is to make the coverage retroactive to the time of retirement, or if the coverage was to begin upon the effective date of the legislation, because of different rates and the duration of coverage because of the age of the retiree. Any fiscal effect associated with HB 2466 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Marilyn Jacobson, Administration