

Fund State Requirements at Actual Cost: Health Insurance

Funding the employee health insurance contributions the state sets at what coverage actually costs districts

Background

The State of Texas sets the rules for school employee health insurance, one of the fastest-growing costs in school district budgets. The contribution requirements are set in statute, premiums are rising, and the state contribution has not kept pace with what coverage costs.

When state funding falls short of the cost of a state requirement, the difference is paid from district general operating funds. Those are the same funds that pay for teachers, instruction, and operations for all students. For districts subject to recapture, it is local revenue that remains after recapture payments are made to the state.

State law sets both sides of school employee health insurance funding. For districts in TRS-ActiveCare, the state-run plan that covers most Texas school employees, the state contributes \$75 per covered employee per month, and districts must contribute at least \$150 per employee per month. State law also limits how a district may use any contribution above its required level.¹

Fixed contributions, rising premiums

The \$75 state and \$150 district minimum contributions have not changed in more than 20 years.² Premiums have continued to rise: by 6.3% in fiscal year 2024, 8.7% in 2025, 9.7% in 2026, and less than 10% on average in 2027. In fiscal year 2025, the total monthly premium for employee-only coverage on the TRS-ActiveCare Primary plan ranged from \$395 to \$505 depending on region, so the combined \$225 minimum covered roughly 45% to 57% of the lowest-cost coverage for an employee alone.³

Rather than raise the ongoing contribution, the Legislature has used one-time appropriations to slow premium growth: \$588.5 million in 2023 and \$369 million through House Bill 500 in 2025 to hold average increases below 10% in fiscal years 2026 and 2027.⁴ TRS projected that without the 2025 funding, premiums would have risen about 18.6% in fiscal year 2026. One-time funding does not change the base contribution, so the pressure returns when it expires.⁵

Districts pay the difference

Because the minimum no longer reflects the cost of coverage, most districts contribute well above it. The average district contribution is about \$330 per employee per month, more than twice the \$150 minimum and more than four times the state's \$75. When districts cannot increase their contribution, employees absorb the increase: in fiscal year 2025, 61% of participating employers did not increase their contribution, and employees absorbed an average increase of \$55 per month.

¹[Contributions to TRS-ActiveCare](#), Teacher Retirement System of Texas, citing Texas Insurance Code §§1579.251, 1581.051, 1581.052, and 1581.054.

²[TRS Board sets ActiveCare rates for 2026-27 with higher premiums](#), Texas Classroom Teachers Association (May 6, 2026).

³[Value in Action: TRS Health Benefits Annual Report 2024](#), Teacher Retirement System of Texas, Tables 6 and 8.

⁴[2025 TRS-Related Legislation Summary](#), Teacher Retirement System of Texas.

⁵[TRS sets ActiveCare rates for 2025-26](#), ATPE Teach the Vote (2025).

TRS-ActiveCare Monthly Contributions per Covered Employee		
	Monthly Amount	Annual Amount
State contribution (fixed in statute)	\$75	\$900
District minimum contribution (fixed in statute)	\$150	\$1,800
Average district contribution	~\$330	~\$3,960
Primary plan, employee-only total premium (FY 2025)	\$395-\$505	\$4,740-\$6,060

TRS-ActiveCare covered an average of 271,614 employees in fiscal year 2024, across 974 participating districts and charter schools. Applied statewide, the state contributes about \$244 million per year, while districts contribute about \$1.08 billion, including about \$587 million above the statutory minimum.

Estimated Annual Statewide Contributions (271,614 Covered Employees)		
Contributor	Per Employee per Month	Estimated Annual Total
State	\$75	\$244 million
Districts at statutory minimum	\$150	\$489 million
Districts at average contribution	~\$330	~\$1.08 billion
District contribution above the minimum	~\$180	~\$587 million

Funding Option

The following concept would align state funding with the cost of the health insurance contribution structure the state sets.

Update the State Health Insurance Contribution

Concept: Increase the state's per-employee TRS-ActiveCare contribution, which has been fixed at \$75 per month for more than 20 years, and index it to premium growth so it does not erode again.

Example: Raising the state contribution by \$180 per month, to \$255, would match what districts on average now contribute above the \$150 minimum.

Advantages:

- Replaces one-time premium buy-downs with ongoing support.
- Helps districts retain employees without shifting more cost to them.
- Paid per employee, so every participating district benefits, including recapture districts.

Cost Formula: Estimated Cost = Covered Employees × Monthly Increase × 12 (at a \$180 increase: $271,614 \times \$180 \times 12 \approx \$587$ million).

Estimated Annual State Cost	
Increase in State Monthly Contribution	Estimated Cost
\$100 (to \$175)	\$326 million
\$150 (to \$225)	\$489 million
\$180 (to \$255)	\$587 million

Policy Rationale: The state sets the contribution structure for school employee health insurance. That structure should reflect what coverage actually costs today, not what it cost more than 20 years ago.

Considerations: The estimates cover TRS-ActiveCare participants only. Policymakers would need to decide whether to extend support to districts that provide coverage outside TRS-ActiveCare, and whether to link part of the increase to dependent coverage, where employee costs are highest.

Impact on Recapture Districts

Increases to Foundation School Program allotments, such as the special education or school safety allotments, raise a district's Tier One entitlement. For districts subject to recapture under Chapter 49, that reduces the recapture the district owes rather than adding new state aid. The state health insurance contribution works differently. It is paid per covered employee through TRS-ActiveCare, outside the Foundation School Program formulas, and is not part of a district's entitlement. Recapture districts would receive the full per-employee increase, the same as every other participating district.

Fiscal estimates are preliminary. Health insurance figures use TRS's FY 2024 average of 271,614 covered employees in TRS-ActiveCare, the statutory \$75 state and \$150 district minimum contributions, and the approximately \$330 average district contribution reported by TCTA; they do not include districts outside TRS-ActiveCare, and dependent coverage would raise the cost further. Actual fiscal notes would depend on legislative language and TRS implementation.

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About Texas School Coalition

The Texas School Coalition is a membership organization that was founded in 1997 to represent property-wealthy independent school districts whose local tax collections are subject to recapture. The mission of the Texas School Coalition is to advocate for the resources to provide all Texas public school students an excellent education and for a school finance system that balances sustainable state and local investments in the best interests of students and taxpayers.