House Bill 934

Teachers' Retirement and Pension System - Employer Contribution for Local Employees

MACo Position: **SUPPORT**

To: Appropriations Committee

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The Maryland Association of Counties (MACo) **SUPPORTS** HB 934. This bill provides a method for addressing a shortfall in funding required to meet the portion of Maryland state teacher pension costs that exceed anticipated costs.

According to current estimates, the actual normal costs of teacher pensions in fiscal year 2017 are approximately $25 million more than the amount that local school boards were required to provide in fiscal 2016 according to cost-shifting legislation passed by the General Assembly in 2012.

The additional funding required in fiscal year 2017 is mainly attributable to changes outside of the control of local school boards. At the same time, absorbing this additional cost in fiscal year 2017 could put pressure on school board budgets, and county governments who provide much of their funding.

While this legislation shares some of the local school board pension funding obligation with the State, it makes no changes to the county government obligations towards the teacher pension system. Every county will continue to make the contributions required under the Budget Reconciliation and Financing Act (BRFA) of 2012.

The BRFA of 2012 shifted the employer "normal costs" of teacher pensions from the State to county governments. Phased-in over four years, the total final amount that counties now pay toward teacher pensions is $216,530,425. Beginning in fiscal year 2017, this funding will become embedded into county education maintenance of effort appropriations, and as such may never be reduced.

To avoid additional pressures on local school board and county budgets, MACo supports this legislative effort to enlist State support for overages in teacher pension costs beginning in fiscal year 2017. For these reasons, MACo requests a **FAVORABLE** report on HB 934.