



## Senate Bill 1001

### *Teachers' Retirement and Pension Systems - County Boards of Education Payments*

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: March 9, 2017

From: Michael Sanderson & Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 1001. This bill provides a method for addressing a shortfall in funding required to meet the portion of Maryland state teacher pension costs that exceed costs anticipated during the 2012 “pension shift.” The actual normal costs of teacher pensions in fiscal year 2017 are approximately \$19.7 million more than the amount that local school boards were estimated to provide in 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. The General Assembly’s effort to provide this funding during the 2016 Session did not resolve the shortfall, thus the need for SB 1001.

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 toward 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 has been embedded into county education maintenance of effort appropriations, and as such may never be reduced.

SB 1001 properly addresses the differential between the expected costs and the actual costs of teacher pensions, and absolves school boards of the responsibility to make that differential payment. 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 for fiscal year 2017. For these reasons, MACo requests a **FAVORABLE** report on SB 1001.