

BILL: House Bill 934
TITLE: Teachers' Retirement and Pension System - Employer Contribution
for Local Employees
DATE: March 1, 2016
POSITION: SUPPORT
COMMITTEE: Appropriations Committee
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The Maryland Association of Boards of Education (MABE), representing all twenty-four local boards of education, supports House Bill 934.

House Bill 934 addresses a very serious and imminent threat to the budgets of local school systems across the state. Maryland's local boards of education soon face a substantial gap between local funding, provided in accordance with the Maintenance of Effort law's requirements, and the amount the State Retirement Agency will begin billing school systems for teacher retirement costs in FY 2017.

In 2012, the General Assembly shifted 100% of the "normal" cost share of teachers' retirement costs to local boards of education. Since FY 2013, school board funding obligations have been matched entirely by mandated local government payments to local boards. In this way, the shifting of teacher retirement costs to local governments has placed considerable strain on local government and local board of education budget decisions.

In FY 2016, the shifted retirement cost was rolled into the mandated maintenance of effort amount going forward. This means that any future growth in the "normal" costs will be included in the bills received from the State Retirement Agency by local boards of education. In FY 2017 and subsequent years, the growth over FY 2016 is estimated to be \$25 million statewide.

This unfunded gap will pose a significant challenge for most local boards in the coming years. Maryland's local boards of education are without independent revenue generating authority, and the funding gap presented in this instance will therefore either require reallocations and reductions within other sectors of school budgets, or additional local government support. In this context, MABE strongly supports Senate Bill 674 in order to limit local boards' costs in future fiscal years to the lesser of what we are obligated to pay in FY 2016 or the 4.05% contribution rate on which those payments were based.

MABE looks forward to the General Assembly's and Governor's support for this legislation's approach to addressing a very serious and imminent local funding gap. For these reasons, MABE urges a favorable report on House Bill 934.