BILL NO.: Senate Bill 648 and Senate Bill 710

TITLE: State Retirement and Pension System - Employer Contributions - Educators and Educational Staff

POSITION: OPPOSE

DATE: March 11, 2009

COMMITTEE: Budget and Taxation

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The Maryland Association of Counties (MACo) OPPOSES Senate Bill 648 and Senate Bill 710. These substantially similar bills would shift funding responsibility for pensions of school boards and other educational enterprises from the State to the counties. This proposal presents a massive new unfunded mandate on local governments, and represents a dramatic undermining of the State's very successful commitment to public education.

Inconsistent With Thornton - When the Thornton Commission looked at a long-term strategy to make gains in public education, it followed a "successful schools" model – visiting and evaluating actual schools that had yielded good outcomes for their students, and assessing the costs of providing that level of support. When the Thornton Commission evaluated the costs of providing a successful educational environment – which became the "foundation" amount under the revised State school funding formula, State-funded pension costs were not included in that analysis. SB 648 and SB 710, and related proposals would undermine the essential logic of the Thornton approach and resulting legislation by introducing a new cost as a responsibility of school boards, which was never envisioned nor calculated as part of the funding foundation.

Not A Real Solution - While this "shift" of responsibility has been heralded as wisely managing the State's budget, it only pushes the fiscal problems downhill. Shifting these costs, whether immediately or gradually, to school boards simply means those school systems will be required to divert State and local funding away from the classroom and other priorities that have served Maryland so well as part of the Thornton commitment. Maryland's great success as the top-rated system of public education would be the obvious victim of such a re-prioritization.

Costs Largely Driven by State Decisions - Supporters of this funding shift point to recent increases in the costs of the teacher pension obligation. The frequent suggestion is that these cost increases trace solely to locally negotiated salary actions. This also belies the truth of the matter. In fact, the State's own decision to under fund these pension systems for FY 2009 contributes mightily to the substantial increase in funding this year:

> "Most of the increase in contribution rates from fiscal 2009 to 2010 reflects the gap between the original rates included in the fiscal 2009 State budget and the corrected rates..." -DLS 2009 Issue Papers, p. 39

Further, the costs of educational employee pensions under the State system were only recently inflated by 2006 State legislation to make them more generous. Intimations that recent cost growth is a function of solely local decisions are unfounded.

Pensions Are Driven By A Classroom Commitment - The cost of teacher pensions is a function, first and foremost, of the State and local commitment to the classroom. The State's reform of school funding under the Thornton legislation sent added funding to boards of education, and required each board to submit a fiscal plan to bring success to those schools. County after county indicated an intention to focus added funding on the classroom – reducing class sizes, hiring more highly qualified teachers, and improving retention of qualified staff. The results of this sensible investment are the accolades that Maryland has every right to be proud of. Hiring and retaining more highly qualified teachers pays off for our schoolchildren. This commitment requires financial resources – including the retirement costs that follow as a function of salaries themselves.

Retirement Is Already A Split Cost - Under current law "retirement" obligations funding is already a split cost between the State and its counties. Social security costs for educational employees are already provided within local budgets. This split responsibility is frequently overlooked when supporters of a "pension shift" decry the State funding responsibility for pensions in a vacuum.

SB 648 and SB 710 would shift funding for teacher pensions, beginning with FY 2011, to the county level. MACo believes this proposal represents an upending of established priorities, and an inappropriate undermining of the State and county commitment to excellent schools. For these reasons, MACo **OPPOSES** these bills and any legislation promoting such a shift of pension funding.