

Senate Budget and Taxation Plan

Sharing of Teachers' Retirement Costs with Local Jurisdictions

- Share retirement costs for school boards only (exclude libraries and community colleges).
- School boards to pay *normal cost* of retirement phased-in over four years with concurrent county-paid maintenance of effort (MOE) increases.
- The normal cost reflects the current cost of retirement for active employees, which does not include unfunded, accrued liabilities. The normal cost's dollar value grows primarily by the growth in salaries and the number of teachers employed.
- Required MOE paid by counties increases each year by additional pension costs during phase-in period.
- Pension costs offset by \$37 million federal fund reimbursement relief to school boards, new county revenues, and local aid to counties and school boards.
- State maintains responsibility to pay for unfunded accrued liabilities and reinvestment, as well as a portion of the normal cost and any costs above the estimates during the phase-in period.
- Implementing this plan requires amendments to the budget bill (SB 150) and the BRFA (SB 152).

Budget and Taxation Plan
Shift of Retirement Costs to School Boards with Offsets/MOE Increase

"Normal Cost" of Teachers Retirement Shifted to Locals Phase-in (\$ in millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Normal Cost Shifted (School Boards) - 25/50/75/100%	(68.3)	(133.2)	(195.5)	(254.8)	(249.3)
Offset by:					
Relieve Reimbursement for Federally Funded Teachers	37.1	37.5	37.8	38.2	38.6
Net Pension Costs Shifted to School Boards	(31.2)	(95.8)	(157.7)	(216.5)	(210.7)
Countries Increase in MOE due to Shift	31.2	95.8	157.7	216.5	210.7
Annual Increase in MOE due to Shift		64.5	61.9	58.9	
Offset by:					
Disparity Grant ¹	22.6	22.6	22.6	22.6	22.6
Recordation Tax Indemnity Mortgages	39.7	39.7	39.7	39.7	39.7
Local Income Tax Reserve Relief	36.7	36.7	36.7	36.7	36.7
Restore Local Police Aid	0.0	22.1	22.8	23.4	24.1
Health Dept Grants	<u>0.0</u>	<u>2.2</u>	<u>3.0</u>	<u>4.0</u>	<u>5.2</u>
Total County Offsets	99.0	123.3	124.8	126.4	128.3
Net Impact of Shift on Counties	67.8	27.5	(32.9)	(90.1)	(82.4)
Net Impact on State General Fund (Savings)/Cost²	(8.6)	(48.4)	(105.4)	(159.1)	(147.9)
Remaining State-Paid Pension Costs (Non-Normal)	905.1	1,034.8	1,082.5	1,111.7	1,128.3
Net Impact of Shift on School Boards	0.0	0.0	0.0	0.0	5.8
State Direct Aid Increase Current Law ²	113.2	88.4	113.6	184.4	193.9

Note: Includes school boards only; Governor's proposal also included community colleges and libraries

¹Includes Miscellaneous Grant for Baltimore City

²Includes increase in Guaranteed Tax Base program due to increased MOE

Pension Cost by School System

Normal Cost*	4.62%	4.46%	4.32%	4.18%
Phase-in	25.00%	50.0%	75.00%	100.00%

<u>School System</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Allegany	\$743,871	\$1,450,580	\$2,128,645	\$2,773,677
Anne Arundel	5,746,842	11,206,590	16,445,043	21,428,297
Baltimore City	6,461,431	12,600,071	18,489,897	24,092,793
Baltimore	7,877,901	15,362,248	22,543,237	29,374,395
Calvert	1,417,969	2,765,101	4,057,630	5,287,193
Caroline	396,967	774,103	1,135,953	1,480,175
Carroll	2,002,891	3,905,724	5,731,431	7,468,196
Cecil	1,229,909	2,398,376	3,519,483	4,585,973
Charles	1,968,258	3,838,189	5,632,327	7,339,061
Dorchester	328,271	640,143	939,375	1,224,028
Frederick	2,946,731	5,746,252	8,432,303	10,987,499
Garrett	332,357	648,110	951,066	1,239,262
Harford	2,764,870	5,391,617	7,911,896	10,309,396
Howard	4,910,533	9,575,752	14,051,879	18,309,945
Kent	183,073	357,001	523,879	682,628
Montgomery	13,613,776	26,547,453	38,956,900	50,761,802
Prince George's	9,777,290	19,066,138	27,978,489	36,456,662
Queen Anne's	552,763	1,077,912	1,581,776	2,061,093
St. Mary's	1,242,849	2,423,608	3,556,510	4,634,220
Somerset	240,062	468,131	686,956	895,121
Talbot	314,228	612,758	899,189	1,171,665
Washington	1,547,056	3,016,827	4,427,024	5,768,522
Wicomico	1,086,797	2,119,301	3,109,955	4,052,348
Worcester	635,780	1,239,799	1,819,336	2,370,640
Total	\$68,322,476	\$133,231,786	\$195,510,177	\$254,754,588

* Normal cost estimates from Gabriel Roeder Smith.

Note: Cost by school system is based on school system payrolls with 1% annual growth.

County Increases in Maintenance of Effort Due to Pension Shift

<u>County</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Allegany	\$189,796	\$890,964	\$1,563,433	\$2,202,813
Anne Arundel	3,092,946	8,526,156	13,737,805	18,693,987
Baltimore City	451,499	6,530,039	12,359,166	17,900,754
Baltimore	3,479,937	10,920,304	18,056,875	24,843,168
Calvert	900,826	2,242,787	3,530,094	4,754,381
Caroline	107,209	481,447	840,370	1,181,636
Carroll	1,259,058	3,154,453	4,972,647	6,701,824
Cecil	606,569	1,768,803	2,883,613	3,943,744
Charles	1,241,900	3,104,567	4,891,369	6,590,693
Dorchester	45,147	354,188	650,559	932,325
Frederick	1,850,755	4,639,317	7,314,299	9,858,315
Garrett	56,117	369,108	669,273	954,651
Harford	1,303,111	3,915,240	6,420,755	8,803,344
Howard	3,914,319	8,569,576	13,035,641	17,283,545
Kent	37,401	209,872	375,279	532,541
Montgomery	7,397,129	20,268,640	32,615,298	44,356,785
Prince George's	3,153,145	12,375,752	21,221,199	29,631,799
Queen Anne's	263,742	786,001	1,286,946	1,763,315
St. Mary's	641,651	1,816,399	2,943,228	4,014,805
Somerset	0	225,299	441,326	646,665
Talbot	92,359	388,670	672,859	943,072
Washington	647,544	2,108,319	3,509,431	4,841,753
Wicomico	297,377	1,321,987	2,304,668	3,239,008
Worcester	229,927	829,887	1,405,325	1,952,489
Unallocated				
Total	\$31,259,464	\$95,797,775	\$157,701,458	\$216,567,412

Note: MOE increases reflect the shifted pension cost net of each county's historical level of reimbursement to the State for retirement costs for federally funded positions.

Source: Department of Legislative Services, March 2012