

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 773 (Senator Ruben, *et al.*)
Budget and Taxation

Education - State Funding - Social Security Contributions

This bill requires the State to pay a portion of the employer share of social security contributions for any eligible position within the local boards of education, the county community college system, and the county public library system. The bill stipulates that the State payment cannot exceed \$35 million in fiscal 1998 and \$50 million in fiscal 1999.

This bill takes effect July 1, 1997.

Fiscal Summary

State Effect: General fund expenditures could increase by \$35 million in FY 1998. Future year expenditures reflect an increasing State share of social security costs and growth in salary base. Revenues would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	35.0	50.0	113.3	118.0	122.8
Net Effect	(\$35.0)	(\$50.0)	(\$113.3)	(\$118.0)	(\$122.8)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: State aid to local governments could increase by \$35 million in FY 1998. Expenditures would not be directly affected.

Small Business Effect: None. Small businesses would not be affected.

Fiscal Analysis

State Effect: Pursuant to this legislation, the State would pay a portion of the employer share of social security costs for eligible school, community college, and library employees. The State share totals 1.5% of the social security wage base in fiscal 1998, 2.5% in fiscal 1999, and 3.5% in fiscal 2000 and each fiscal year thereafter. However, the bill stipulates that the State payment cannot exceed \$35 million in fiscal 1998 and \$50 million in fiscal 1999. It is estimated that the State share of social security costs would total approximately \$44.5 million in fiscal 1998 and \$77.4 million in fiscal 1999. Accordingly, State expenditures in those fiscal years would only increase by the maximum required payment. However, beginning in fiscal 2000, the State would pay the actual cost of the sharing arrangement which would total \$113.3 million in fiscal 2000, increasing to \$122.8 million by fiscal 2002. **Exhibit 1** shows the projected costs for fiscal 1998 through fiscal 2002 for each respective system.

Exhibit 1
Increased State Social Security Costs
(\$ in millions)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
School Systems	\$41.3	\$71.9	\$105.2	\$109.6	\$114.1
Libraries	1.0	1.8	2.6	2.7	2.8
Community Colleges	2.2	3.7	5.5	5.7	5.9
Total	\$44.5	\$77.4	\$113.3	\$118.0	\$122.8

The Department of Fiscal Services estimates that the partial State funding of social security costs in fiscal 1998 may result in smaller increases in local appropriations for education than currently forecast for fiscal 1998. Since State funding under the current expense and compensatory aid formulas in fiscal 2001 is based on average spending in the third and fourth preceding years, a smaller increase in fiscal 1998 local spending could reduce current expense and compensatory aid in fiscal 2001, thus offsetting some of the State social security costs in that year.

Local Effect: State aid to local governments could increase by \$35 million in fiscal 1998 and \$122.8 million by fiscal 2002. Local expenditures are not directly affected. However, by having the State pay a portion of the employer's share of social security costs, local expenditure increases for primary and secondary education, libraries, and community colleges may be smaller in the future.

Information Source(s): Department of Fiscal Services, Maryland State Department of Education

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