

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1357 (Delegate Rawlings. *et al.*)

Appropriations

State Retirement Agency - Reimbursement for Retirement Contributions

This bill eliminates the requirement that local boards of education, libraries, and local community colleges reimburse the State for retirement costs associated with members of the teachers' retirement and pension systems whose positions are funded with State and federal categorical grants.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund revenues decrease by \$23 million in FY 2001. The decrease in future year revenues reflect growth in categorical programs. Expenditures are not affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$23.0)	(\$23.5)	(\$23.9)	(\$24.4)	(\$24.9)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$23.0)	(\$23.5)	(\$23.9)	(\$24.0)	(\$24.9)

Note: () = decrease; GF = general funds

Local Effect: Local school expenditures would decrease by \$21.9 million in FY 2001 and local library and community college expenditures would decrease by \$1.1 million.

Small Business Effect: None.

Analysis

Current Law: Under the Maryland State Retirement System's guidelines, local boards of education, libraries, and community colleges must reimburse the State for the retirement costs associated with positions funded from federal and most State categorical aid programs. The only State aid programs not covered by this requirement are the current expense formula, compensatory aid formula, special education aid, State support for comprehensive school system restructuring, library aid formula, and the community college formula.

Background: The State pays the retirement costs on behalf of local school boards, libraries, and community colleges for members of the teachers' retirement and pension systems. The local entities do not receive the funds; instead, the State provides a direct appropriation to the retirement system. In fiscal 2001, State paid retirement costs will total \$390 million. In recent years retirement costs have decreased due to positive investment yields. In fiscal 1997 these retirement costs were \$480 million.

State Fiscal Effect: Local school boards, libraries, and local community colleges must reimburse the State for the retirement costs for school employees paid from federal and State categorical funding. In fiscal 1999, the reimbursements totaled \$27 million, of which 95% was from local boards of education. Local retirement reimbursements for fiscal 2001 are estimated at \$23 million, of which \$21.9 million is for local school employees and \$1.1 million is for library and community college employees. The elimination of the local retirement reimbursement will result in a \$23 million reduction in general fund revenues in fiscal 2001. Future year revenue decreases reflect growth in categorical programs.

Exhibit 1 shows the retirement contribution reimbursements made by the local boards of education over a three-year period. Estimates for local libraries and community colleges are not available.

Additional Information

Prior Introductions: None.

Cross File: SB 859 (Senator Hoffman, *et al.*) - Budget and Taxation.

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

Fiscal Note History: First Reader - March 14, 2000

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Exhibit 1
Pension and Retirement Reimbursements
Boards of Education

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	Three-Year Average
Allegany	\$315,141	\$436,481	\$526,386	\$426,003
Anne Arundel	1,502,290	1,379,491	1,655,044	1,512,275
Baltimore City	6,898,532	3,996,365	7,945,666	6,280,188
Baltimore	2,238,201	3,512,660	3,327,160	3,026,007
Calvert	246,030	272,352	321,230	279,871
Caroline	240,355	218,228	278,326	245,636
Carroll	306,446	296,843	279,274	294,187
Cecil	263,379	436,334	477,102	392,272
Charles	345,311	376,803	456,890	393,001
Dorchester	222,384	225,858	259,186	235,809
Frederick	327,458	338,669	446,275	370,801
Garrett	348,235	256,007	265,742	289,995
Harford	106,257	551,346	657,685	438,429
Howard	304,857	376,396	468,347	383,200
Kent	96,355	117,582	145,161	119,699
Montgomery	1,954,198	3,125,265	3,592,416	2,890,626
Prince George's	1,760,285	2,184,676	2,024,238	1,989,733
Queen Anne's	310,415	124,980	146,657	194,017
St. Mary's	234,322	347,329	391,274	324,308
Somerset	202,892	243,641	235,597	227,377
Talbot	70,943	95,724	143,462	103,376
Washington	551,675	578,404	658,028	596,036
Wicomico	760,324	610,917	548,185	639,809
Worcester	189,374	225,264	301,578	238,739
Total	\$19,795,658	\$20,327,617	\$25,550,910	\$21,891,395

Source: Maryland State Department of Education

Prepared by: Department of Legislative Services, Office of Policy Analysis
