

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE

Senate Bill 859 (Senator Hoffman. *et al.*)

Budget and Taxation

**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.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1357 (Delegate Rawlings, *et al.*) - Appropriations.

**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>         | <u>Three-Year<br/>Average</u> |
|-----------------|------------------------|------------------------|------------------------|-------------------------------|
| Allegany        | \$315,141.00           | \$436,481.00           | \$526,386.00           | \$426,003.00                  |
| 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                       |
| <b>Total</b>    | <b>\$19,795,658.00</b> | <b>\$20,327,617.00</b> | <b>\$25,550,910.00</b> | <b>\$21,891,395.00</b>        |

Source: Maryland State Department of Education

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