

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 465

(Senator Stone, *et al.*)

Finance

Education - Retirees of a County Board of Education - Health Benefits

This bill requires a county board of education to provide health benefits to retired principals, teachers, and other certificated and noncertificated employees. A county board must develop and implement a plan to provide health benefits to eligible individuals comparable to the health benefits plan provided current employees. If a county board requires a retiree to have completed a specified number of years of service to be eligible for health benefits, the board must count the retiree's years as a member of the State Retirement and Pension System toward the service requirement.

Fiscal Summary

State Effect: None.

Local Effect: In situations where a particular county board of education does not provide health benefits for its retirees, board expenditures would increase significantly. **This bill imposes a local mandate on county boards of education.**

Small Business Effect: None.

Analysis

Current Law: County boards of education are not required to provide health benefits to either employees or retirees.

Local Fiscal Effect: Expenditures would increase significantly for local boards that do not provide health benefits for their retirees that are comparable to employee health

benefits. Talbot County Board of Education expenditures could increase by an estimated \$848,000 in fiscal 2005 to extend comparable health benefits to its retirees. Talbot pays an 85% subsidy for current employees but only pays 66% of the lowest priced health plan available to retirees, regardless of which plan they are enrolled. Currently, Talbot pays \$385 per month per retiree to subsidize health benefits. This cost would increase to \$655 per month per retiree if Talbot provided comparable health benefits to its retirees. Wicomico County Board of Education estimates its health benefits costs would increase by approximately \$1.1 million to provide comparable benefits to its retirees.

The Maryland State Department of Education advises that the average annual cost of health insurance for the eight largest local school boards is \$6,676 per employee.

Additional Comments: The bill could pose a disincentive for certain county boards to hire older teachers closer to retirement. Currently, a teacher in Maryland receives pension benefits from the State Retirement and Pension System, regardless of what county or counties the teacher has worked in throughout the teacher's career. This provides a teacher with the flexibility to work in different school systems while still earning retirement service credit. Under the bill, the county from which a teacher retires could be financially responsible for subsidizing a newly retired teacher's health benefits, even though the teacher could have worked in other county school systems most of the teacher's career.

Additional Information

Prior Introductions: None.

Cross File: HB 748 (Delegate Conroy, *et al.*) – Appropriations.

Information Source(s): Wicomico County, Talbot County, Maryland Association of Boards of Education, Maryland State Department of Education, Maryland State Retirement Agency, Department of Legislative Services

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